

**GOVERNORS'
CONFERENCE
PROCEEDINGS
—1920—**

1920

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PROCEEDINGS
OF THE
TWELFTH
CONFERENCE OF GOVERNORS
OF THE
STATES OF THE UNION

HELD AT

HARRISBURG, PA.

DECEMBER 1-3

1920

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ORGANIZATION

Executive Committee

GOVERNOR WILLIAM C. SPROUL, Pennsylvania

GOVERNOR J. B. A. ROBERTSON, Oklahoma

GOVERNOR HENRY J. ALLEN, Kansas

Treasurer

HONORABLE JOHN G. TOWNSEND, Jr.
Selbyville, Delaware

Secretary

MILES C. RILEY
Bank of Wisconsin Bldg.
Madison, Wis.

GOVERNORS IN ATTENDANCE

| | |
|-----------------------|---|
| <i>Arizona</i> | GOVERNOR THOMAS E. CAMPBELL |
| <i>Colorado</i> | GOVERNOR OLIVER H. SHOUP |
| <i>Connecticut</i> | GOVERNOR MARCUS H. HOLCOMB GOVERNOR-ELECT EVERETT J. LAKE |
| <i>Delaware</i> | GOVERNOR JOHN G. TOWNSEND, JR. GOVERNOR-ELECT WM. D. DENNY |
| <i>Indiana</i> | GOVERNOR JAMES P. GOODRICH GOVERNOR-ELECT WARREN T. MCCRAY |
| <i>Iowa</i> | GOVERNOR W. L. HARDING |
| <i>Kansas</i> | GOVERNOR HENRY J. ALLEN |
| <i>Louisiana</i> | GOVERNOR JOHN M. PARKER |
| <i>Maine</i> | GOVERNOR C. E. MILLIKEN |
| <i>Massachusetts</i> | GOVERNOR CALVIN COOLIDGE |
| <i>Maryland</i> | GOVERNOR ALBERT C. RITCHIE |
| <i>Minnesota</i> | GOVERNOR-ELECT J. A. O. PREUS |
| <i>Missouri</i> | GOVERNOR FREDERICK D. GARDNER |
| <i>Montana</i> | GOVERNOR S. V. STEWART |
| <i>Nebraska</i> | GOVERNOR SAMUEL R. MCKELVIE |
| <i>New Hampshire</i> | GOVERNOR J. H. BARTLETT |
| <i>New Jersey</i> | GOVERNOR EDWARD I. EDWARDS |
| <i>North Carolina</i> | GOVERNOR THOMAS W. BICKETT |
| <i>Oregon</i> | GOVERNOR BEN W. OLCOTT |
| <i>Oklahoma</i> | GOVERNOR J. B. A. ROBERTSON |
| <i>Pennsylvania</i> | GOVERNOR WM. C. SPROUL |
| <i>South Carolina</i> | GOVERNOR R. A. COOPER |
| <i>South Dakota</i> | GOVERNOR PETER NORBECK GOVERNOR-ELECT W. H. MCMASTER |
| <i>Utah</i> | GOVERNOR SIMON BAMBERGER GOVERNOR-ELECT CHARLES B. MABEY |
| <i>Vermont</i> | GOVERNOR PERCIVAL W. CLEMENT GOVERNOR-ELECT JAMES HARTNESS |
| <i>West Virginia</i> | GOVERNOR-ELECT EPHRAIM F. MORGAN |
| <i>Wyoming</i> | GOVERNOR ROBERT D. CAREY |

GOVERNORS' CONFERENCE

ARTICLES OF ORGANIZATION

ARTICLE I.

The style of this organization shall be the "Governors' Conference."

ARTICLE II.

Active membership in the Governors' Conference shall be restricted to the Governors of the several states and territories of the United States, the term "Governors" to include Governors-Elect. Ex-Governors shall be received as honorary members and, as such, shall be entitled to all the rights and privileges of active membership except the right of voting.

ARTICLE III.

The functions of the Governors' Conference shall be to meet yearly for an exchange of views and experience on subjects of general importance to the people of the several states, the promotion of greater uniformity in state legislation and the attainment of greater efficiency in state administration.

ARTICLE IV.

The Conference shall meet annually at a time and place selected by the members at the preceding annual meeting.

ARTICLE V.

The Conference shall have no permanent president.

A Governor shall be selected by the Executive Committee at the close of each half day's session to preside at the succeeding meeting.

ARTICLE VI.

There shall be no permanent rules for the government of the Conference in discussion or debate, but the procedure at any session shall be subject to the pleasure of the Governors present.

ARTICLE VII.

The proceedings of the Conference shall be fully reported and published

ARTICLE VIII.

The affairs of the Conference shall be managed by an Executive Committee composed of three members to be chosen by the Conference at the regular annual meeting. They shall hold office until the close of the succeeding regular annual meeting and until their successors are chosen. Vacancies in the Executive Committee may be filled by the remaining members thereof.

ARTICLE IX.

A secretary and a treasurer shall be elected by the Conference at each annual meeting.

The secretary shall attend all meetings of the Conference, keep a correct record thereof, safely keep and account for all documents, papers and other property of the Conference which shall come into his hands, and shall perform all other duties usually appertaining to his office or which may be required by the Executive Committee. He shall be paid an annual salary of not to exceed twenty-five hundred dollars and shall be reimbursed his actual and necessary expenses incurred while traveling on the business of the Conference.

The secretary shall annually prepare and submit to the Conference a budget of the expenses for the ensuing year. He shall make all necessary arrangements for a program for the regular annual meeting and shall edit the stenographic reports of the proceedings at all meetings. He shall, also, so far as possible, co-operate and keep in touch with organizations, societies and other agencies designed to promote uniformity of legislation.

ARTICLE X.

The treasurer shall have the custody of the funds of the Conference, subject to the rules of the Executive Committee. He shall deposit funds of the Conference in its name, shall annually report all receipts, disbursements and balances on hand, and shall furnish a bond with sufficient sureties conditioned for the faithful performance of his duties.

ARTICLE XI.

Persons not members of the Conference shall not be heard until the regular order of business for the day has been concluded, and then only by unanimous consent. All programs for social entertainment must be approved in advance by the Executive Committee.

ARTICLE XII.

These articles or any of them may be altered, amended, added to or repealed at any time by a majority vote of all Governors present and voting at any regular annual meeting of the Conference.

GOVERNORS' CONFERENCE

TWELFTH ANNUAL SESSION

HARRISBURG, PENNSYLVANIA, DECEMBER 1-3, 1920.

The Conference was called to order in the Senate Chamber, State Capitol, at 10:30 o'clock A. M., Governor Simon Bamberger of Utah in the Chair.

THE CHAIRMAN—I am surprised by being honored to preside over this important meeting. At the same time I had reason to expect it, because everything comes to me naturally. I presume some will inquire, "Why was he selected?" It is because the Governors appreciate me; they know the value of me. I have been asked the question why I was selected as the Governor of Utah, and I have said, "Do you want to know why? The women vote in Utah." Look at me! I know it is not on account of my size that I was selected. So the gentlemen must have selected me on account of my looks. But we want to get to business, so we will now start this meeting by listening to the address of welcome by the Governor of all Governors in the United States, Governor Sproul.

GOVERNOR WILLIAM C. SPROUL of Pennsylvania—Governor Bamberger and gentlemen of the Governors' Conference: This really in its cordiality of beginning reminds me of Salt Lake City. Those of us who were out there last year well understood why, aside from his good looks and geniality, Governor Bamberger had been chosen by the people of Utah to be their chief executive. His works are all about in his state, and his popularity there seems to be unbounded.

The individual members of this conference know very well how glad we are and I am personally to have you here. We are pleased with the responses we have received, and I am glad indeed to welcome you all here. We hope you will enjoy your visit in Harrisburg and the simple way in which we have arranged to entertain you.

Primarily, of course, this is a business session, but aside from that the advantage of association and fine relationship which are established in these meetings have not only been most gratifying, but they have been most useful, and the experience we have had together has been I am sure, if the rest of you feel as I do about it, one of the finest things we have had in our lives.

Pennsylvania is entertaining the Governors' Conference for the first time in the history of the Conference. Pennsylvania is not one of the mother states in so far as territory is concerned. We here never claimed any territory beyond our borders, but we gave our attention to defending what we had from our ambitious neighbors on the north and south, and we have managed to retain it, and the fact of the matter is we believe that the great old founder and moral and political philosopher, William Penn, really did have the right to a good bit of New York state, because his grant was for all the land as far north as it was plantable. I presume the word "plantable" might cover all the land clear to Ontario. But we did not take it, but compromised on a proposition by which we got a port on Lake Erie, a great port on the central river system in Ohio and a great sea port on the Delaware, which gives us access to the Atlantic Ocean, rather a good combination for a single state.

Pennsylvania has contributed a great deal to the population of the other states in the Union. Everywhere that I have been there are found Pennsylvanians in important places and the sons and daughters of Pennsylvanians making up an important part of the people who accomplish things all through the land. At the same time all of the people of Pennsylvania have not gone out even for such a praiseworthy undertaking as the development of other states. We still have almost nine millions of people, all of whom are sturdy outstanding Americans who would welcome this Congress of Governors here today.

We have in this state a government which is still carried on largely upon the lines which were laid out by William Penn, and the great law which was passed at Chester two hundred and thirty-eight years ago right now is still largely,

in its principles, of course, not in its details, the fundamental of Pennsylvania legislation and practice. The particular principles regarding tolerance, opportunity for development of the individual and of the community which Penn laid out, have made Pennsylvania the great state it is, and we feel that we have a great deal to be thankful for in our establishment and in the fundamentals of Pennsylvania. We are not living, however, entirely in the history of the past. We respect and rever our traditions, but we are going ahead in a way which is gratifying to those of us who are giving our intensive attention to the affairs of the state.

This is not the most remarkable gathering, great as it is, that has been held in Pennsylvania. Other gatherings of Americans who came together for the welfare of the nation have been held here. The great Continental Congresses which first decided that these people here in the western hemisphere should have liberty of government were held in Pennsylvania. That wonderful assemblage in Philadelphia which proclaimed that this was a free republic and promulgated that immortal document which is today the most remarkable utterance in the world, the Declaration of Independence, was also held here, and that convention which devised that frame of government which after the test of one hundred and thirty years is still acknowledged to be the strongest frame of government in the world, the most responsive to the changing needs of the people, and which is ready and prepared to handle all of the things which are necessary and which may arise as time goes on in this country, was also framed in Philadelphia. The battlefield of Brandywine is located here. The battles near the forks of the Ohio, which settled the domination of the great central section of this continent and established the control of all those wonderful areas south of the Great Lakes, were fought upon our soil; and only forty miles from here is Gettysburg, where seven years ago the veteran warriors of all the states of the Union met and pledged themselves and their faith in a re-united country. They came here as the guests of the Commonwealth of Pennsylvania, and nothing that the state has ever done as a matter of sentimental and

constructive policy excelled the work of that meeting at Gettysburg, and we take great pride in it.

My friends, as I say, Pennsylvania is filled with shrines, many of them most important in the history of the country. Were the season more propitious, we might have an opportunity of visiting many of those places, but at this time of the year and with the work we have at hand, we deemed it best not to have a sight-seeing program in addition to our work here, but to welcome you rather into our homes and to our social life. My own experience with the Governors and their friends and my associations with them have made me believe that that will be a cozy, comfortable and attractive way of having our entertainment, and we welcome you here in Pennsylvania, and give you not only the keys to our capitol and our public offices and our institutions, but we will show you the way to our hearthstones and to our affections.

THE CHAIRMAN—We will now have an address of welcome by Lieutenant Governor Beidleman on behalf of the city of Harrisburg.

LIEUTENANT GOVERNOR EDWARD E. BEIDLEMAN of Pennsylvania—Governor Bamberger and gentlemen of the Conference: You have come to Harrisburg in order that you might discuss the questions of reconstruction and regeneration following the World War; and it is very fitting that this Conference should take place within the confines of historic Pennsylvania. The Governor has reminded you that the Declaration of Independence was signed and promulgated here; he has called your attention to the fact that the constitution was written and born in Pennsylvania; and he has reminded you of the fact that some of the battles of the Revolution were fought here. I want to call your attention to the fact that it was in this same Pennsylvania that the first American flag was born, and it is that same flag which now flies over the freest people the world has ever known. He has reminded you that Gettysburg holds an important place in the history of the country, but he has inadvertently forgotten to say that it was Washington who wintered his army at Valley Forge and took them from the Pennsylvania

soil to the state of New Jersey to fight the battle at Trenton, which commenced the ending of the Revolutionary War.

I am glad that the Conference has come into Pennsylvania, and I am especially glad that it has come to Harrisburg; because Harrisburg has added to the glories of Pennsylvania. Founded here in the valley of the Susquehanna, she has been in existence since as early as 1726. In all that time we have always been interested in those things that helped to make for America. We are situated practically in the center of the county of Dauphin—named after the Dauphin of France, to show that we were mindful of the debt we owed to Lafayette, which recently was so well paid by the American people. In this city of Harrisburg we have endeavored at all times to follow the lines of government established for both the United States and Pennsylvania. We endeavor always to support the state in order that we may show by example what a typical Pennsylvania city is.

As you will go through our city in the next few days, you will find it is practically all paved, having almost ninety miles of paved highways. You will find a system of public schools which we are endeavoring to complete in support of a doctrine that is now being laid down and carried out by State Superintendent Finnegan, who is a distinguished and well-known authority on school matters, and was appointed by the Governor with the thought that Pennsylvania shall lead in educational matters. It is our hope in the immediate future to complete a system here that Harrisburg may show to the people of America the best high school they have ever seen. At present we have an institution which I think will be of interest to every Governor attending this Conference. It is a school that provides special facilities for the child who has been unfortunate regarding his health, and is intended to develop him so as to give him an opportunity equal to that of the well boy and the well girl for the development of his education.

In this county of Dauphin we can show you every form of worth-while manufacturing, and we have farms which can not be surpassed anywhere. Within the course of less

than a day, we can show you the manufacture of iron and steel, textile industry, the manufacture of food products, the mining of coal, and we can show you agriculture, and everything that goes to make up a splendid commonwealth and a spendid community.

We hope you will appreciate the things we have in Harrisburg, in Dauphin county, and in Pennsylvania; and I can assure you from the bottom of my heart, in behalf of the people of this community, as well as of the people of the commonwealth, that during every moment you are here you are heartily welcome, and that we are glad to have you in our midst. We know what you will do here will redound to the credit of the community, to the state, and to the nation, and we wish you God-speed in the further development of splendid Americanism upon which the American people shall dwell and prosper in the years that are to come.

THE CHAIRMAN—We will have the response by a Western Governor, the real thing, a man who used to be a mucker in the mines and a cow-puncher. Now ladies, look at him. Can you see him? When you see him you will like his looks, I am sure. He is Governor Campbell of Arizona. This is the place Governor, right here. The seargeant-at-arms will please make the Governor come where I say, right here.

GOVERNOR THOMAS E. CAMPBELL of Arizona—Mr. Chairman and gentlemen of the Conference: After that introduction you can appreciate my embarrassment, and the reason that I would prefer to respond to the splendid addresses of welcome from the floor rather than from this platform.

I rather think I was selected to make this response because I am the longest Governor in the Conference, and they took a chance that I would probably be the briefest in words.

I do come from the west, way out yonder from whence one travels a week of half days to come here to the shrine of American liberties. Here the Keystone State is greeted by the baby state and its sister states. Here, Governor Sproul, we have the executive from Maine, the executive from Oregon, the executives from the Carolinas, the executives from way out west, and the lines converging bring to us the ex-

ecutives from the middle west, Iowa, Kansas and Nebraska, here to your home at this Conference, not that we may hear of your splendid history, I think we all know quite well the part that your commonwealth has played in this nation, but that we might come as your guests and the guests of the commonwealth of Pennsylvania and the guests of the city of Harrisburg, and particularly as the guests of Bill Sproul and Mrs. Sproul. You through your concourse with us in the past have made you most endearing to us, and so when you invited us to come and be your guests there was no hesitation.

So we are here for the purpose of entering into the labors before this Conference, and I know, surrounded as we will be, in this wonderful ornate building, by the sentiments that crowd upon us as represented here by the decorations, by all of the things that are dear to Americans and those who are now under responsibility of government, that only good, constructive things can come from this Conference.

And so, Governor Sproul, and you folks here in Harrisburg and Pennsylvania, we graciously accept the splendid welcome you have tendered to us, and when we go back to our homes we will take with us, I know, that feeling that has been expressed by your two sons here, that Pennsylvania has meant so much to the life of this nation, and, if I opine rightly, and way out west we do dream now and then, it will continue to mean in the future what it has in the past, a guide-post to our Nation's future greatness.

THE CHAIRMAN—Is Governor John M. Parker, of Louisiana present? If so please have him come to the front so that I can look at him and see what he looks like. If not we will have another good-looking man, Governor Harding, of Iowa, say something to us; I don't know what it is, but we are ready to listen to him. Just stand up and be looked at, do not be afraid. Do not be too modest now.

GOVERNOR W. L. HARDING of Iowa—Mr. Chairman, members of the Conference and friends: I am sure that I understand why I am placed on exhibition at this moment. It was my pleasure and good fortune to be the Governor of

Iowa a year and more ago when the Conference of Governors was held at Salt Lake. Twenty-two Governors were in attendance the afternoon that I was there, and those same twenty-two Governors dressed themselves in bathing suits and marched triumphantly into that great Salt Lake. Twenty-one Governors out of twenty-two were surprised that the water did not splash higher on the shore after they entered. It also developed that I was the one lone Governor out of the twenty-two whose head was heavier than his feet, and that has been a mark of distinction that has been very, very helpful to me in the time intervening.

I am proud as a son from Iowa to respond to these splendid words of welcome, for it was in this empire state that my father and mother first saw the light. I do not know why they left Pennsylvania, but I presume it was the call that seems to be in the breast of nearly every one to pioneer. They were born up in the valley here a little way and, on a monument that stands there, is the name of Harding, a pioneer who fought the Indians in those early days. I presume it was that bold blood and the call to pioneer that caused them to go west. You know the strange thing about it is they passed over Ohio, and I am glad they did, otherwise I might be in trouble now; on across Indiana, on across Illinois, then on nearly to the western line of Iowa, and there they stopped; and I say now, that my father and mother were the best judges of the ideal spot of the world of anybody in all the world.

We are all, of course, proud of this wonderful old state of Pennsylvania. I have heard more boasting about this state this morning than I have heard all the rest of my life put together. I have always looked upon Pennsylvania as solid and substantial, like Iowa, able to speak for herself without advertising. You go farther west, out beyond the mountain peaks, out beyond where the sun goes down in a flood of glory and seems to bathe those people with something, I do not know just what it is; why they live on climate out there. But here in Pennsylvania to live you must dig into the soil and work. California, you know, has but two crops, lemons and tourists, and the peculiar thing about those

two crops is they have to pick them both green. Colorado has sunshine; Arkansas has moonshine; and those people live on those things. I am not going to conclude, however, that because words of commendation, somewhat flattering, have been spoken of Pennsylvania this morning, that the old state is slipping at all. It is just the exuberance of the occasion and the pleasure of the company.

I am sure this Conference is going to be helpful, for it gives the Governors—and you know sometimes a Governor is a lonesome soul—gives them an opportunity to strut in the presence of their equals. Some of them have already gotten out their long-tail coats and others will appear at the proper time, and before this Conference is over you will see the finest dressed bunch of men that it is possible to assemble anywhere. But these conferences are especially helpful and beneficial in exchange of ideas on the part of the men who really do, after all is said and done, guide the state. Legislatures are a necessary evil. An attorney general is a handicap. We have to have them, however, because there are ambitious men who desire office and are incapable of being Governors.

I appreciate this opportunity. I am sure we are going to have in the homes, at the firesides with the people of Harrisburg and Pennsylvania, a splendid time, and we will go away better equipped to serve those who have honored us.

THE CHAIRMAN—I understand you have some announcement to make.

GOVERNOR HARDING—I wanted to announce to the Governors that at the suggestion of the secretary of the interior, John Barton Payne, I called a conference in the city of Des Moines, Iowa, for January 10, 11 and 12, for the purpose of considering the general subject of parks, park building, park construction and all of the allied subjects, and I want to urge that each Governor send the strongest delegation he possibly can to that conference. The thought is to co-ordinate the work of park building throughout the nation, including cities, states, and the nation.

You know in Iowa we have no magnificent scenery, just little nooks and corners here and there, but four years ago we thought there might be some sentiment in the hearts of the people of Iowa in this direction and we started a program to build a system of state parks. The response was marvelous. We have spent in the neighborhood of three hundred thousand dollars. That is not much money. We have several hundred acres of parks and something like a dozen of them scattered about the state. The park board have made a survey of the state, and we are going to ask the legislature for an appropriation running over a period of ten years, authorizing this board to purchase these park sites and preserve to the future generations some of the original that nature left, that the pioneer first saw and did not destroy.

And so I want to urge upon the Governors that every state in the Union be represented. I am sure this is an American idea. Among the things we see and like about old Pennsylvania are the shrines, and we need those in every state in the Union.

THE CHAIRMAN—"The National Importance of Agriculture," is to be discussed. If Governor Parker, of Louisiana, is here, we would like to hear from him.

GOVERNOR SPROUL—Mr. Chairman, in connection with the subject mentioned by Governor Harding, Mr. Mather, the head of the National Park bureau, is here, and as Governor Parker has not yet arrived, he is due I believe at 11 o'clock, but has not yet reported in, might we not hear from Mr. Mather for a few moments?

THE CHAIRMAN—We will be delighted to hear from Mr. Mather.

MR. MATHER—I am reminded by seeing Governor Bamberger of a little incident that occurred out in Salt Lake City during the summer, I think it was in September. I had just come up from the northern edge of Arizona, that little section of Arizona over there on the north side, Governor Campbell, on the Colorado river, which Governor Bamberger would perhaps like to add to Utah, but which you insist on

still holding as a part of the state of Arizona. I came up from that wonderful north rim back of Salt Lake City where I had been talking over the possibility of old Jim Owen turning over his buffalo herd at some time or other to the United States, perhaps the national park service, and he seemed rather favorable to it. I told that story to Governor Bamberger, Senator Smoot and the others whose guest I was in Salt Lake City, and about that time Governor Bamberger got up and said "Well, gentlemen, I think it is time to break up this meeting. If we stay here much longer Mr. Mather will have us all making our wills." So, of course, the meeting broke up right there.

But many people might will parks to the public, if proper legislation were enacted in the different states.

One reason why I am very much interested in this project that Governor Harding has told you of, a convention in behalf of state parks, is because at Washington the national park service very frequently has offers of wonderful sections of our country, which do not properly come into the national park system, but which should be saved, and I think could be saved best by the work of the state itself. A year ago I travelled through Shasta county, coming down from Governor Olcott in Oregon, and I came across the beautiful Burning Falls, one of the finest falls in the state of California, coming out from the great lava cap. Governor Stevens, was much interested in having that preserved, and a month or so later I found that one of the public-spirited citizens of the northern part of California had bought those falls and one hundred and sixty acres around them and wanted to give them to the public as a memorial to his mother and father, and the first thought was, could it not be given to the national park service? But I explained to him and to his attorney that it would not work out very satisfactorily, we could not very well take care of it. It was a small area that should be taken care of by the state, and yet, when an effort was made to have it accepted as a state park, there was no direct machinery by which it could be accepted. However, Governor Stevens found a roundabout way. The same way down in New Jersey. There is a wonderful

Revolutionary manor that dates way back even beyond Revolutionary times, and the owners of this, the daughters of a well-known citizen of New York, want to give it to the nation. It should be accepted by the state of New Jersey instead, and no doubt it would be donated by the owners to the state if they could be convinced that it could be well taken care of.

Now, why shouldn't there be in every state a non-partisan commission, why shouldn't there be a machinery by which gifts of that character could be accepted by the state?

I know of the work Iowa has done in making this splendid survey, and Iowa is far ahead of all the other states in this park idea primarily because they have made a survey of the state from one end to the other. They have found the spots that are useful for either their historic value or scenic beauty, and in many cases, they are being given in part or in whole by the communities in which they lie.

Governor Campbell, I passed along coming down from the town of Harington, in Utah, down to Fredonia, in your state of Arizona, in that little northern section that is pretty hard to reach, as you know, because you made it not so long ago, and I came across a wonderful old building at Pipe Springs, a stone structure built sixty or seventy years ago, with the slits through which they fired out to protect themselves from the Indians. That old building is unoccupied today, and will fall soon and be gone, one of the most interesting historical spots in that state. There is something that should be saved, absolutely. I am trying to work out some way to get hold of it now, so that it could be turned over perhaps as a national monument, and perhaps as a national monument it might be a starting-point. It could be so created, but I know spots of that character that are intimately interwoven with the state's history which ought to be preserved by the state.

Not long ago I climbed up to the top of Grandfather mountain in North Carolina. Eight hundred acres on the top of the mountain were offered to the national park service as a national park by a public-spirited citizen of the state of North Carolina, and yet that particular area was more

suitable as a state park. It was not on a scale large enough to be accepted as a national park. While we do not have all parks of two million acres, like Yellowstone, we have in the state of Maine one of approximately ten thousand acres. In that case, of course, the gift of the citizens of Maine, residents of Desert Island, left it to the national park, but here and there scattered through the country there are many areas that should become state parks, and it seems to me if we could have every state with the proper form of legislation and each state co-ordinating with the state adjoining, that we could then have something that will be very useful to us who are responsible for our great national parks in the west.

One of the greatest difficulties in connection with our national parks is to get the people out cheaply. How many times I have been told by the people of the east that they have heard of the national parks but that they can not afford to go out to them; and yet today so many people are the owners of automobiles. If we only had the public parks, state parks, perhaps one hundred miles apart, not to exceed one hundred miles apart, there is nothing to prevent a man going with his family, no matter how large, at minimum expense, from Maine right out to our assembly park in California or Washington, Yellowstone in Wyoming, or the Glazier in Montana, or the Grand Canyon in Arizona. Just recently a wonderful trip of fifty-five hundred miles was made ending with a very interesting meeting in Denver where we were welcomed by Governor Shoup, and at that convention plans were developed looking towards the development of those highways between the national parks; but, gentlemen, if we do not have east of Denver a proper development, not to say of the highways alone, but also of places where persons can stop with their families en-route, we won't be able to give the people a real economical way of visiting these parks.

Why can you not find in your state a man to send on to represent you at this meeting in January? Send a man who has reached the age not necessarily old, but who has come to the point where he wants to do something in the way of

service to his fellow-man. Send a man of that high type, who has the welfare of his fellow-man at heart, who has the time and means to leave his own business and devote himself to some such broad work as that, so that when he comes back he can be at the forefront of the work that is to go on, perhaps a survey of the state, of its possibilities for the creation of parks. Such a man can devote himself in the next few years to just such work as that. I have been at this game myself at Washington for the last six years, and I can assure you it beats one's being in his own business all to pieces, the opportunity to get out and to do something for your fellow-man. I really do not think there has been anything more interesting in my life than this very work of trying to bring the national parks of the country into their own, and we can not bring them into their full use unless we do have cooperation along some such lines as I have been suggesting to you.

The way the people now are pouring into the national parks in their own machines is something remarkable. Eighty thousand people visited Yellowstone last year; fifty thousand came in their own cars, and of those fifty thousand about twenty-five thousand of them found quarters in public camps. Mr. Albright, who many of you know and met at that historic visit you had at Yellowstone park two years ago, has devoted himself very assiduously to the plan of developing public parks in the Yellowstone, public camping places I mean. A new camping spot has been laid out near the upper basin, under the shadow of the old faithful geyser. Twelve hundred people were camped there every night after it was laid out.

In the assembly this summer we had registered in the Yosemite Valley alone, a small part of the national park, over twenty-five thousand people that went in and enjoyed themselves in that beautiful camping area along the Merced river. We stand ready to do that on an even greater scale. We had the privilege of having the chairman of the appropriation committee out on a visit to the national parks this year, with the members of his committee, and he was tremendously impressed with what we are accomplishing and

trying to accomplish. He slept with me in a sleeping-bag under the great trees in the giant forest. We want to make the fullest use of the national parks, and you can help us by developing along this idea of the state park.

I am very glad for this opportunity to have said these few words to the Governors on this subject.

GOVERNOR SPROUL—Mr. Chairman, I just want to express my appreciation of the work that Mr. Mather is doing. He does not ask other people to give up their business and do the things that he does not do himself. He is giving his life and attention and splendid energy and fine ability to this great public work.

Just for fear that somebody may misunderstand where Pennsylvania stands on this matter, I would like to say that we are ready to accept any gift that any citizen or any one else wants to make to us here, and we have all the machinery, all the legal arrangements made to accept it and to take care of it, and to give the people the benefit of it.

Next week here in Harrisburg there will be a conference of the foresters of the United States, which has been called by our own state forester, Mr. Pinchot, to which invitations were sent to all the states. We have had a great many encouraging replies, and we will have representatives here from many of the states which have forestry organizations, and others which contemplate such organizations.

Pennsylvania itself has now about one million one hundred thousand acres of state land which has been acquired and is being reforested. We have five million other acres in the state which are not of much value except for raising trees, and the state is endeavoring gradually to acquire this land and to bring back the real condition in Pennsylvania which Penn found here when he called it Penn's Woods.

We have several state parks, notably the one at Valley Forge, and one at Washington's Crossing on the Delaware is being planned. I shall recommend to the coming legislature, and I hope the legislature will acquiesce in this suggestion, that Presque Isle, that beautiful peninsula extending into Lake Erie in the northwestern part of the state,

which is state property now, be given over to the park commission for the benefit of the people of the northwestern section of the state.

This year our forestry department has issued thousands upon thousands of permits for camps in Pennsylvania. It may surprise you to know that in spite of our great population and the well-developed character of the state generally that Pennsylvania is still one of the greatest game states in the Union. Last year there were almost three thousand reports, definite official reports, of deer which had been killed in Pennsylvania during the season, and through our forestry organization, our fish commission and our game protection organization in Pennsylvania, we are trying to preserve the beauties and the charm of our wildernesses and of our attractive places which can be utilized for the enjoyment of the people.

I was particularly anxious to get on record so that no one here would think that we had not the organization to take care of these things, because we want those gifts, we will take good care of them. Our organization is already perfected and we are in shape to handle all matters connected with their management. We also have an historical commission which is charged with the duty of acquiring gradually and maintaining and protecting points of historic interest and antiquities of the state. A great deal has been done in this direction, more is in contemplation, and much remains to be done; but we are alert to the necessity of all those things and are moving along in the direction Mr. Mather suggests.

THE CHAIRMAN—We will hear from Secretary Riley, I think he has some announcements to make.

SECRETARY RILEY—I have been requested to announce that the Pennsylvania Railroad, as a matter of convenience for the Governors and their parties, has established an office in the Governor's Reception Room and will issue tickets to returning Governors from Harrisburg or Philadelphia at any time from now on. Also that photographers have erected a temporary studio in the rear of the second

floor, center hallway, where they desire to take the photographs of the visiting Governors; and, lastly, that on the trip on Friday by special train to Philadelphia the Governors and their parties will be the guests of the Commonwealth of Pennsylvania.

THE CHAIRMAN—There is to be a luncheon at the Penn-Harris Hotel, given by the chamber of commerce to the Governors and their families. Gentlemen, it is hardly necessary for me to impress upon the minds of the Governors the importance of being prompt, every minute counts. We want to be there at the luncheon at 12:15, and we want to be in our seats here at 2:30.

GOVERNOR HARDING—Mr. Chairman: There is a matter I want to present in connection with the paper on Agriculture to be read, which I think should receive the consideration of this Conference. The agricultural interests of this country are in a sad way, as all of you know. Unless something is done to assist them with their credit and to open up a market, these interests are not going to produce next year in proportion to the demand that there will be in this country for their products. It is my own opinion that two things should be done for the agricultural interests. We must first help them before we can help anybody else, because the original wealth comes from the soil, out of the earth, and unless our men on farms are prosperous the rest of our people can not be prosperous.

The United States government is a creditor of the allied governments for moneys loaned during the war and post-war period in the sum of approximately \$10,000,000,000, which, with accrued interest on the basis of 5%, amounts to a sum in excess of \$11,000,000,000. (Approximately one-half of this sum at the time the loans were made was secured and is now secured through the deposit by the foreign governments with the United States government of approved United States securities.)

Terms of ultimate payment, interest rate, funding, etc., have never been worked out. The existence of this large indebtedness under these conditions, the fact that the in-

terest has accumulated heavily and that no plan of settlement has been agreed upon, has undoubtedly been a major factor in depressing foreign exchange to the present point, where our exports in many lines, especially products of the farm, are almost at a standstill and steadily growing worse.

Plan. That this indebtedness from our allies be funded at a low rate of interest amortized on a basis of yearly payments, beginning three years from date and extending over a period of ten or more years.

That national legislation be had at the forthcoming session of congress to create the United States Government Finance Corporation, of the same general character along broad lines as the War Finance Corporation.

That this corporation be authorized by congress to issue its own short-term bonds at an attractive rate of interest, for example, six per cent, for sale to the general public, the bonds to be subject to retirement within certain limitations on call, the bonds to be secured upon the funded foreign debt, either in whole or such part as the plan and program might require.

The act creating the Finance Corporation should fix the amount of its capital so to be derived in a specific sum.

The Finance Corporation should have the power, along definite lines, to finance export trade through the extension of credit, either to approved foreign firms on terms of payment ranging from six to twelve months, with or without collateral according to the conditions present in each case, or to foreign governments upon similar terms and conditions, especially so in cases where purchases of commodities and products are made through governmental agencies as is now the case in Great Britain and France.

The plan outlined would break the deadlock now existing on corn and cotton and other products of the farm, and of our mills and mines, where, by reason of present exchange conditions and lack of credit abroad, buying power is almost absolutely lacking.

The capital of the corporation should be placed at \$2,000,000,000, which in its operation would amount to a revolving fund, and would make possible transactions involving the

extension of credit abroad to the amount of \$4,000,000,000 to \$5,000,000,000.

It is to be noted that the Panama Canal Commission and the Philippine Commission at present are empowered to issue bonds on a relatively high interest rate, which are readily absorbed by the general public, and that such issues have no material effect upon so-called government bonds.

The operation of the War Finance Corporation was thoroughly successful, highly beneficial to the general public, and thoroughly stable. The experience gained in that case has blazed the way for the operation of such a Finance Corporation. If the War Finance Corporation, as is sometimes suggested, were to be again thrown into gear it would fail as its life of necessity is dependent upon the continued condition of war.

The Finance Corporation, under proper management and control and under the supervision of the federal reserve board, would soon stabilize foreign exchange, but primarily would make it possible for the United States, through the extension of credit under proper conditions abroad, to relieve the condition of over-production at home and at the same time relieve the danger of shortage abroad. Cotton mills in Poland, which are among the largest in the world, and the spindles of Great Britain, Germany and Belgium would undoubtedly and promptly purchase heavily of our farm products, of which in many cases we have an excess and indigestible surplus with no spot-cash market in sight. The immediate effect upon the country at large would be healthy stimulation and at the same time an avoidance of the speculative tendency, as the control of the extension of credits would necessarily involve the control of prices, so far as the services of the corporation were sought by our producers and manufacturers.

The suggestion as to the possible capitalization of \$2,000,000,000 is based upon the effect which such capitalization would have in stabilizing exchange, but the sale of the corporation bonds to the amount of \$500,000,000 might easily prove to be thoroughly sufficient for its wise conduct and operation.

In this connection the so-called \$100,000,000 gold pool, formed by the banks in the stress of 1914 to stabilize exchange, is fresh in mind, and the \$22,000,000 cattle-loan pool, now being completed by the banks in Chicago, New York and Boston to stabilize the cattle-loan situation, is a present fact. In each of these pools the major factor was credit. The \$100,000,000 gold pool effected the purpose of its founders without being called upon to actually operate, and the cattle-loan pool, not yet completed, has nevertheless stabilized that situation.

I wanted to submit this proposition in the rough, for it is my judgment that unless something is done to open our foreign trade and to extend the credit of the farmer on loans that he owes the banks to-day we are going to see a situation throughout this country that will be appalling.

I have just recently returned from a trip in the south. I know what the situation there is with reference to cotton, and that same situation exists in the state of Iowa. On the first day of July the banks of the state of Iowa owed the Federal Reserve Bank and Chicago banks over two hundred million dollars; that two hundred million dollars, under normal conditions, would have been paid off with the previous conditions. The two hundred million dollars has now gone up to two hundred and seventy-five million dollars that our banks owe, largely money that the farmer owes. The corn, the produce that he had, has shrunk at least sixty per cent in value, and unless something can be done to relieve the situation and get those products moving, we are going to see greater stagnation by far than we see today, and so I wanted to offer this so that when the matter comes up in its regular order we will be prepared to pass upon it.

THE CHAIRMAN—If there is no objection, the discussion of the paper offered by Governor Harding will be taken up promptly at 2:30 o'clock. With that understanding, we will take a recess until 2:30 o'clock P. M.

Whereupon, the Conference took a recess until 2:30 o'clock P. M.

AFTERNOON, DECEMBER 1.

Governor Bamberger in the Chair.

THE CHAIRMAN—The Conference will please come to order. We will be glad to hear from Governor Parker.

THE NATIONAL IMPORTANCE OF AGRICULTURE

GOVERNOR JOHN M. PARKER of Louisiana

Mr Chairman, fellow-Governors, ladies and gentlemen: I was gratified as I left my hotel to hear a comment by a gentleman who looked at the distinguished Governor with whom I was walking, and said, "Just look, there is Governor Allen, of Kansas, who was formerly a great big Bull Moose, and there is Parker, of Louisiana, who was a Bull Moose, and today Governor Allen is the big Republican Governor of the great state of Kansas, and Parker a Democratic Governor down there in Louisiana, and still they are walking arm in arm together." That is exactly one of the strong reasons why I feel that this gathering of the Governors walking arm in arm together and working for national welfare, frankly discussing those great big issues which confront us, can be of vital benefit to the American republic, and especially so at this particular time when we are confronted with conditions which, to my mind, are more serious than those which have ever before confronted the people of the United States along the line of business and commerce in all of its various phases.

The keystone of American contentment and prosperity is represented by her agriculture and the importance of keeping our fertile acres well tilled and productive on a prosperous basis to the actual producer.

An immense amount of money is annually spent by the Department of Agriculture and then by the agricultural divisions of every state in the Union, and while this work by theorists is most commendable, the real essential basis is too often overlooked.

There is no industry in the world more uncertain than agriculture, which is dependent upon proper cultivation of

the soil, a good planting season, a good growing season, and then with the present shortage of labor, a good harvesting season with sufficient labor and equipment to promptly and economically handle the crops which have been produced.

This year this combination has been more unsatisfactory than ever before, and the exodus of labor from the farm to the cities, to the factories, to the sawmills, and to the railroads has been so great that a large number of those left on the farm are not the most efficient.

In every state in the Union both young men and young women are anxious to leave the drudgery of farm life with its long hours and get on the eight-hour payroll, where life is not only much easier, but revenue much more certain.

The farmer, who by his toil and labor, produces from the soil those essentials to feed and clothe the world is easily one of the greatest benefactors of mankind. By the very nature of his work, he is not and cannot be expected to be experienced in business or in transportation, and for that reason, the Government, in conjunction with the various states, should establish a thoroughly practicable, workable system under the supervision of the ablest and best men they can secure to stabilize prices for agriculture so as to assure a reasonable return on the investment, land, live-stock and implements and for the work of each individual occupied in producing. In order to accomplish this, a number of essential features are vitally important.

A careful study should be made of the great markets of this country and a determined effort made to see that perishables especially, are promptly transported to those points where needed and congestion obviated as far as possible.

In the great central markets, the Government should have at least two experts who should work in co-operation with a committee from the Board of Trade to see there is no loss or useless waste of perishables, due to conflict as to grade or condition.

Not sufficient intelligent effort has been made to save the enormous waste of food products lost by congestion in

transportation and otherwise, and then thrown away as worthless. The loss of this foodstuff is an immense waste of man power and should be prevented.

The Food Administration of Louisiana during the war, received the heartiest support of the railroads in working out a commonsense plan which provided that when perishables remained on the track forty-eight hours, the railroad immediately notified the Food Administration, which in turn, notified both the consignor and consignee that twenty-four hours would be given for the sale or disposition of these perishables, and failure to receive notice at that time, they were appraised, sold and the money deposited in bank, the parties notified to fight over the difference or wait arbitration. This plan eliminated all waste, repeatedly enabled cheap vegetables, fruits and other perishables to be immediately sold, and of the hundreds of cars so handled, there was never a single lawsuit against the Food Administration, which working in conjunction with Federal officials and the railroads, rendered a real service in preventing waste, and the incidental loss, to say nothing of the great benefit to transportation lines by having their cars promptly released for service.

Repeatedly we see the sad spectacle of hundreds of cars of perishables being destroyed or dumped in the great cities or even in New York harbor, and at a time when there are thousands of people who would like to buy them at a price, which would mean at least the saving of what now goes to waste. No one can note the figures realized by the producer and the price paid by the consumer and not be startled at the enormous increase in cost.

A careful study should be made as to the quickest method of routing and placing upon the market perishables of every kind. The railroads will gladly and cheerfully not only co-operate, but give their best men to assist in this important work, and there is no reason why the products from one section of this country should not be quickly and economically transported to other sections of the country which need them. Special preference should be given to shipments of this kind, and an intelligent study made as to the wants

and needs of each market which would be invaluable to the producers.

This work could be largely systematized by having the producer of each particular product notify a central office how many acres he was planting in the beginning of the season, then report progress and condition of his crop, advise ahead when he would be ready to ship and then see that he packs in containers which are satisfactory to the market to which he proposes to send his product, and above all, that rigid instructions should be given in regard to the care and handling so that goods will reach the market in the best possible condition.

Wherever the volume of business justifies, farmers organizations, under capable management, should be started with the name or number of each individual stamped on the packages and a uniform basis of standards established which would be the same all over the country.

Profiteering on the part of handlers or buyers should cease, and will just as soon as the direct route from the consumer to the producer is made as straight with as few inter-sales as possible amongst speculators.

We are too prone to believe that the great wheat grower, the large cotton planter, sugar planter, rice planter or potato grower represents the big part of agriculture. The thousands of little men are the men who should be looked out for and assisted. They have never had the opportunity to learn what real, co-operative work means. Many of them are not newspaper readers and are not posted either in regard to shipment or improved methods of packing, handling and delivery of their product. They are anxious and willing to remain on the farm, because it is all they know, but if unable to make a living for themselves and their children they will follow the current and drift to the cities.

Today in all America, there is no more interesting problem to solve for the future welfare of state and nation than the importance of keeping on the farm, and sending to the farm, an immense number of people who, in addition to the real benefits of open air life for themselves, are conferring a blessing on mankind by their production, and whose ser-

vices are more earnestly needed than any other class of people.

The farmer has been stuffed so full of theory and expert book knowledge which has failed to work out practically, that many of them are disgusted and disheartened. They urgently need commonsense assistance as to how to prepare the ground, when to plant and how to plant; how to cultivate, how and when to gather; the packages and the methods of packing, the quickest and most efficient means of transportation, the best markets to which they can send their product to secure satisfactory results, and the intelligent co-operation of those who are well qualified to honestly give them this much needed advice.

The farmer is not a beggar and does not want to be coddled or "wet-nursed," but if ever in the history of this country he needed wise, commonsense advice and practical help, now is the time, and I ask your consideration and discussion of this vitally important question.

THE CHAIRMAN—This subject is now before the Governors for general discussion. If any gentleman wishes to speak I shall be glad to recognize him.

GOVERNOR ALBERT C. RITCHIE of Maryland—Mr. Chairman, I rise principally to ask Governor Parker a question. Unfortunately I did not hear the paper which I believe was read this morning by Governor Harding, but in connection with this general subject, ought not the plan of relief follow these lines: First, a consideration of the further and more intensified development of the farmers' marketing associations, such as have been so highly developed in California, where the story reads like a romance, and such as we have in different states, including Maryland, with a view to ascertaining whether that line of development can be handled through the United States department of markets, in close co-operation with the different states? Such a development will bring the consumer and the producer closer together. And, secondly, does it not involve a consideration of farm credits along some such lines as the War Finance Corporation during the war?

It would seem to me, without having given the thought to it that has been given by the gentlemen with whom the question is so much more acute, that the practical solutions ought to come from a consideration of one or the other or both of these propositions.

GOVERNOR PARKER—I think the question of finance, except in regard to the extreme southern products of cotton and other commodities, is largely an export matter.

GOVERNOR RITCHIE—I think so, too.

GOVERNOR PARKER—It would be foreign credits, but I don't know that we can discuss that. The question of markets is one that the government has already undertaken. If we had these central markets where we could furnish information as to the needs of the respective centers, that would be of value to the producers of the various commodities.

GOVERNOR SPOUL—Mr. Chairman, I would like to hear the Governor of Iowa amplify the discussion he started this morning, so that we may have more time on the very thoughtful program which he has in mind.

GOVERNOR HARDING—Mr. Chairman, the subject, is "The National Importance of Agriculture." I am satisfied that there are very few people in the United States, even on the farms, who really understand how vitally important this subject of agriculture is at the present time. If I have been correctly informed, the last census shows that in the neighborhood of thirty per cent only of our people live on the farms, and a portion of that population is included in the small towns, so that I think we are safe in saying that about one-fourth of the people of the United States are actually engaged in producing foodstuffs for consumption. I live in the city, and I am concerned because the man on the farm is going to eat longer than I do if the supply should happen to run short. And so the importance of this question of agriculture is not alone from the farmer's standpoint but as well from the standpoint of the individual who lives in the city, and most of our large cities are all the time within forty-eight hours of starvation.

There are two questions, it seems to me, involved in this agricultural program or problem. First is that of transportation. That problem is an unsolved one in the United States today. The second is the one that was so ably referred to by Governor Parker, namely, the conservation of the food that is actually produced. A very large percentage of the fruits and vegetables that are produced in this country never reach the consumer. And then the third is that of financing the farmer at this important time.

You talk with the Governors from the cattle states, and they tell you of the terrible situation that the livestock producer is in; you talk with the Governors from the cotton-producing states, and they tell you of the terrible situation with respect to that product; you talk with the Governors from the corn-producing states, and they have the same story.

I said this morning, and I want to repeat it now, that on the first day of July the banks of my state were owing the Federal Reserve Bank and the city banks outside of the state something over two hundred million dollars. A large amount of that money had been borrowed by the farmers due to the fact that they were unable to market the 1919 crop. At that time the crop was valuable, and many of them have not been able to market that crop, and today it has shrunk in price until the loan which the bank made to that farmer is no longer a good loan, as we think of loans in a commercial way.

Now, if I am correctly informed, and I think I am, since the Federal Reserve Bank was established there is a limit of ninety days on commercial paper, and the farmer's paper is commercial paper. Before the Federal Reserve Bank came in use farmers used to be able to borrow money for a year from their local banks, the local bank took the paper to the city bank, and thus the farmer was given an opportunity to make a turnover. Today he can not do that. The result is that the farmers of America, the producers of America, are facing a situation where their credit is cut off and the market is on the down grade, and they are discouraged, not that they are unwilling to share their portion

of the loss, as is everybody else, but they are confronted with obligations they can not pay, and yet they are asked to pay up. The order has gone out that the bank shall collect. It means that producers have no money with which to finance themselves for next year, and I, a dweller within the city, am worried, for I wonder where I am going to get the food in 1921 and 1922 if these farmers are not financed.

There ought to be in this country, in connection with the federal reserve system, a banking arrangement, and it does not take a new bank, but it does take new banking arrangements, so that the farmer can get a long time commercial paper upon his livestock and grain the same as the merchant gets credit on his stock of goods. It takes from five to six years in the state of Iowa for the farmer to have turnover equal to the capital which he has invested in his business. A merchant does not have to wait that long.

We have no adequate system of finance in this country to take care of the farmer in his commercial transactions, and I should like to see, if we are permitted to go that far, I should like to see this Conference recommend to the Congress in the short session that they shall so arrange the federal reserve bank law and the other banking laws of this country that the indebtedness of the farmer today where it is a commercial proposition can be handled for at least a year. In other words, I would have the obligations of the farmers in the banks of this country funded for a year and give them a chance on credit to work out of this situation, as was so beautifully expressed by the Governor from South Carolina at the meeting this noon. What we need is confidence in this country today, and credit will furnish that confidence. So much now for the home situation. Time will help us here at home.

I am satisfied in my own mind that we must in some way start the wheels of business with foreign countries, and this could be done on credit. I have had a good deal of experience on the outside of the bank counter. I know that side of the game perfectly, and I know that whenever I have no security and can not pay, that it is good business for the banker to extend my paper, not thirty days, sixty days or ninety

days, but long enough so that I will be able in the meantime to accumulate some cash and pay; instead of spending all my time signing notes, I ought to spend at least a portion of it earning money.

The proposition I made this morning, in brief, is this: You all are familiar with the fact that when war broke out in 1914 this government began to loan money to foreign governments. We loaned in the neighborhood of ten billion dollars. About one billion, I think, was secured by American securities furnished by the foreign governments to our government. There is perhaps a billion dollars more of interest on that obligation at the present time. We are not going to collect that debt, it is not likley, for some time I mean, and it is not likely that we are going to get very much of the interest for some time. The only way that I can see is for us to get to trading with those folks, and if we leave a part of that trading to the inventive genius of the Yankee we will get the best of the bargain some place along the line. Fund all or a portion at least of the ten billion dollars, and all of it deferred in payment for a period, say, of three years; organize a corporation similar to the War Finance Corporation, only have its business confined to that of foreign trade, then issue short-time paper bearing a good rate of interest so as to accumulate the money with which to pay that, and then, through this corporation selling the cotton of Louisiana to the factories of Poland, give them twelve months in which to pay, pay your cotton farmer in Louisiana so that he can put in a crop next year, and furnish a market for his cotton that he has on hand. Do the same thing with the man who has corn or wheat to sell, or livestock, or the products of livestock, and so on down the line, and you will start the wheels; and until that is done it will, so far as I can see, at least, be difficult for us to have any foreign market for these primary products of our country.

I do not pose as an international financier, but I say I have had experience from the outside of the bank, and our relation now with the world is no different in principle than my relation with my banker. I have had that experience so many times I know it will work if the banker will furnish

the credit. The United States of America today is the banker of the world. I know they argue the exchange proposition. If it is necessary to meet that, for the Congress of the United States to speak on the subject, then let the congress speak. I am informed that there have been fourteen million bushels of corn from Argentine sold on the New England coast since the first day of July. The granaries of Iowa, Illinois and Indiana are full of last year's corn. Transportation conditions was one of the reasons why we did not sell here. Another reason was the fact that Argentine had three year's crop on hand that they had produced at very much less expense than we have been able to produce our corn. The result was they came into our market.

I do not want to take more of the time of this body. I do not understand that we are in the habit of going so far as to decide upon a policy, but,—and I say this frankly—we are not going to have relief from the financial situation that is staring America in the face until we furnish a market for the products of the farmers of this country.

The honest-to-God wealth that we have in this country comes out of the ground, and whenever those interests are standing still, as they are today, you are going to have trouble until you start that industry; and so we ought to furnish an outlet abroad for all that we possibly can, and then fund the debt that those farmers honestly owe for a period long enough so that they can get their breath and recover.

And the two propositions that I have suggested, one is for us to recommend to congress, not the details which I have been reciting here, but the principle, and make it so strong that they will understand that it is the voice of the people back home speaking; and second, that they so arrange our banking laws that the credit of the farmer can be funded for at least a period of one year from this time.

GOVERNOR THOMAS W. BICKETT of North Carolina—Mr. Chairman, I simply rise to make a motion that the Chair appoint a committee of three, or five, to prepare a resolution embodying the views of this conference on the distressing situation that now confronts the farmers of the country and

submit it to the Conference for such action as it may deem fit to take, and then a committee be appointed to go immediately after the adjournment of this Conference to Washington and submit the results of our deliberations to the law-makers there.

The situation is nothing less than a tragedy. I have never before seen such distress as is found today among the farmers of my own state, and the situation is not peculiar to them. They are staring poverty and bankruptcy in the face, and it calls for drastic action. It is well enough to talk about general principles in normal times; it is well enough for a doctor to tell you to take plenty of exercise and drink water and be temperate in your eating when you are in a normal condition; but I was on the train some time ago and there was a woman seized with an attack of acute indigestion, and her husband ran through the train crying at the top of his voice for a doctor, and it required two hypodermic injections of strychnine to save that woman's life right then, and that sort of quick effective action is what is demanded for this agricultural situation. The government ought to be called upon to resort to drastic measures in dealing with a drastic situation.

It is not worth while for this intelligent body to speak only of the paramount importance of the farmer from an industrial standpoint, but there is one view of it that we ought not to forget, and that is naturally the farmer is the most conservative citizen of this country. The little farm owned by the man who tills it is the best plant-bed in the world for the development of the high type of American citizenship. Now it is dangerous to allow these men to get into their minds the question, what is the use? Let any strain of bolshevism get out amongst the farmers, and I do not know to what we can anchor. I think I can illustrate that by an incident that occurred down in my own state, and also the importance of the bureau of markets, to which the Governor of Louisiana referred. We grow very fine watermelons down there, among other things, and before the government established its bureau of markets the farmer did not know where to send his watermelons, he did not know where the

market was best, or where there was a demand. Down in Scotland county a man sent a carload of the finest melons ever grown to the city of Chicago; the eastern markets he heard were all flooded. When the watermelons arrived, Chicago was flooded also. The consignee after some days took them out and sold them the best he could, and after paying demurrage charges and commission charges he remitted to the farmer down in Scotland county, North Carolina three dollars and seventy-five cents, net proceeds for the car of watermelons. The old farmer studied for a while, he knew something of the history of Chicago and some of the great disasters, and so he endorsed his name on the back of the check and under his name he drew this statement: "I am returning you the check for three dollars and seventy-five cents, proceeds for my car of watermelons, with the request that you make it the foundation of a fund to erect a monument to the cow that kicked over the lamp that burned up your damned old town." Now, that may seem to be simply a facetious illustration, but it is a dangerous thing when the farmers commence to think about building monuments to anything that burns up towns, and I do not think that this Governors' Conference, in all of its history, will ever have an opportunity to render a greater service to all the people of this country than by taking drastic action to deal with the tragic situation that today confronts the farmers in America.

GOVERNOR RITCHIE—Mr. Chairman, I would like to second that motion.

GOVERNOR STEWART OF MONTANA—Mr. Chairman, is it not the rule of this organization, from which no departure has ever been taken, that we never pass a resolution on any subject to come before Congress? Am I right about that point?

THE CHAIRMAN—There is such a rule.

GOVERNOR RITCHIE—Would a motion to suspend the rule for this purpose be in order?

THE CHAIRMAN—I do not think that is necessary. We had better adopt it, and I think there is no objection to appoint-

ing a committee; we need not pass the resolution, we can take all the action we please without passing the resolution.

GOVERNOR RITCHIE—How would it be to amend the Governor's motion so as to authorize or request the Chair to simply appoint a committee, and then bring back their recommendation to this body, and then when the recommendations come here we can see what they are and whether we need to suspend the rules or whether we do not.

THE CHAIRMAN—Gentlemen, I want to say that my successor came with me from Utah. He is a banker and a young man, and I am sure you will be very much interested in hearing his views upon this subject, Governor-elect Charles B. Mabey.

GOVERNOR-ELECT CHARLES B. MABEY of Utah—Mr. Chairman, I did not come here with a desire to talk, but merely to listen. I appreciate this privilege, and I should like to say a word or two about it, although I know that the discussion has covered most of the points.

I have been what is called a country banker for some fourteen or fifteen years in a district near one of our large country cities, and I know exactly what the problems of a country banker are in solving credit with respect to the farmer, the small farmer particularly, and also the dry farmer in Idaho and northern Utah. Governor Harding's statement is absolutely correct when he says that the people do not appreciate the importance of the farmer or agriculture to this nation, and no one seems to have appreciated that less than those who framed the federal reserve act, for there is absolutely nothing in it that helps the farmer.

When a man comes to my bank to make a loan, I will ask him how long he wants it for. "Well, make it six months at least, but I prefer it for a year." Now, what can we do with ninety-day paper in a country bank, when those are the conditions? This is the condition that the average country banker is in with respect to joining the federal reserve bank: If he joins, his credit is cut off because the federal reserve bank will not accept his paper unless it be paper for ninety days. If he does not join, his corresponding

banks in the centers will not take his paper either because the federal reserve bank will not take it, the other banks in the cities re-discount their paper to the federal reserve bank, and they must have paper that is acceptable to the federal reserve board; and so the country banker is in this position throughout the entire country. We can get relief through the federal reserve board or through congress only by changing that law.

I can tell a story about apples and peaches. We send hundreds and hundreds of carloads of apples and peaches to the Chicago market from which the shipper gets nothing but a bill for balance due. In the case of one shipper I have in mind the freight charges were one hundred and seventy-five dollars, and he got nothing for his peaches, nothing for his bags, nothing for his labor after putting these things together. This latter was handed to me by a member of one of Governor Davis' boards whom I know, before coming east.

There is another feature of this matter that has not yet been discussed, at least I have not heard it during the course of the discussion this afternoon, and that is the federal land bank. We had a federal land bank established, as you gentlemen know, for the purpose of making long term loans to the farmers running over periods ranging up to thirty-five years, the farmer being permitted to make amortization payments in small sums so that he will not feel them any more than he feels the payment of his taxes. The federal land banks were beginning to work splendidly. But now they are testing the constitutionality of the law, and that avenue has also been closed to the farmer, and as a consequence there is no door through which the farmer might find entrance into the house of credit. If the federal land bank law can be changed so that there will be no question as to the constitutionality, we will be afforded relief in this direction also. These two points, it seems to me, can help us immediately if we get busy, and I am for the resolution.

GOVERNOR GOODRICH—Mr. Chairman, I did not intend to have anything to say on this question. I would like to ask the Governor-elect from Utah if he is not mistaken as to

the federal reserve law in this particular. Ninety days is the rule in commercial transactions, but a special provision is made in section 13 for farmers' paper, is it not?

GOVERNOR MABEY—One hundred and twenty days. It has not been working out my way.

GOVERNOR GOODRICH—This distinction is provided in section 13 of the act, and I agree also with the Governor from Iowa that that could be reasonably and ought to be made twelve months. I am not opposed to it. I just want to correct that one mistake about the law. I know section 13 does provide for six-months' paper.

THE CHAIRMAN—The Governors ought all to be bankers but some of them are not. We would like to hear from Governor Edwards of New Jersey.

GOVERNOR EDWARD I. EDWARDS of New Jersey—Mr. Chairman and gentlemen: I happen to be a banker by being born a bank clerk, and I get a pretty good salary for being a banker, but I do not get it for talking.

I listened with a great deal of interest to the paper of the Governor of Iowa this morning, but I do not think it is economically sound. It is very true that while he stands on the outside and knows all the conditions on the outside, he should also have the viewpoint of the man on the inside, and he knows very well, or he should know, if we funded the ten billion dollars it would be an additional debt to this country by foreign governments. We would not be reducing the interest on twenty-six billion dollars which you men are paying taxes for, but you would simply be pyramiding a terrible tax rate. I took that up with the federal reserve board a year ago, I thought I had a great idea. I went to the federal reserve bank in New York and suggested exactly this plan. I thought that if I had ten billion dollars of notes of other governments that it was the perfectly proper thing for me to go and discount those notes, just the same as any other ordinary business man would do; but I had forgotten or neglected to think it out thoroughly, that these foreign governments are impoverished, they can't even

pay the interest on their notes and there is no telling when they can; and, consequently, if you borrow on that, you are continually borrowing, and you are not making any headway.

I believe that this government can do something for the farmer, and that it would be much better for it to issue short-term notes and not try to fool the people by saying that these notes of foreign governments are being pledged and interest is being paid to take care of them, because it is not, and there is no chance of interest payments as far as I can understand, for many years. Those notes will never be paid until we help the foreign governments to deliver goods to us. That is the way those notes will be paid, and that is the only way they can be paid.

I do not pretend to be a banker who knows it all. I am simply a country banker. I happen to preside over the largest financial institution in the state of New Jersey, but still that is a country bank. We are very closely connected with the clearing house, and all that has been said here today about the farmers' loans is true. We have very little of that loaning in New Jersey, but I think if there was a special drive to have the general government function along the line of financing the farmer it would be the greatest thing that this Conference of Governors could do. I think there is some way of doing it. I do not know how to do it myself, but I think by a discussion of this kind, and with the committee that will be appointed, we will find some way to at least start this thing, because I know just as well as you know that the farmer is the backbone of the American republic.

GOVERNOR HARDING—Mr. Chairman, I do not want to get into a debate with the distinguished Governor of New Jersey. I would rather meet him in a different capacity. But the point I am trying to make in getting this finance corporation established would be to make it possible for Poland and Great Britain to buy cotton which we have an abundance of and have got to sell, and they can not buy it because they do not have any credit.

Now, if a corporation of this kind is formed and the plan carried out, the government of Poland will stand back of the

obligation, but an individual can not deal with it because he can not finance the proposition. You remember back in 1914 somebody up in New York, when there was a little flurry, said, "We will create a gold reserve of one hundred million dollars." They never had to gather the gold together, but it worked. The banks of Chicago, Boston and New York have started a cattle-loan investment at twenty-eight million dollars. It is already felt in the cattle market, and they have not used a dollar of the money. It is confidence, it is credit, that starts the wheels, and you have got to start the wheels with Europe, and there is only one way to do it, and that is for the government of the United States to get in and furnish money, and I am simply offering a loophole, an opportunity for the government of the United States to finance a corporation that can do this business until we can get the wheels started and the returns come back and pay the bill.

GOVERNOR GOODRICH—Mr. Chairman, I do not want to prolong the discussion. I want so much to hear Governor Allen this evening, and yet it may not be discussed later on, and I want to say something at this time before this Governors' Conference.

I sent a telegram to the Governors of the six great corn- and wheat-producing states asking for a meeting to discuss this very question. I can not agree with all that Governor Harding, of Iowa, says, that by simply organizing a corporation you can reloan money that is borrowed. We have been in a fool's paradise, simply thinking that this inflation that was due to the war would go on forever and that the high prices attained in the last three or four years would continue in this country.

We can not sell to Europe at this time for the reason they can not pay. My judgment is that it would be folly to talk about loaning Europe money to buy raw materials from here and food products. You talk about foreign trade. I recently looked at the figures, and for the first nine months of 1920 we exported four hundred and thirty-eight million dollars more than we did in 1918; in bushels we exported eighty million bushels more of wheat in the first nine months

of 1920 than we did in 1918, and a million more than we did in 1919; in value of dollars we exported breadstuffs in 1920 far more than we did in 1918 and 1919; and we exported five times as much cotton in the first nine months of 1920 as we did in 1918, and one hundred and forty million dollars more than we did in 1919.

It is a world-wide condition we are dealing with, and if there goes out from this Conference the impression to the American farmer and cotton-grower that we can by legislation maintain the unnatural condition existing in this country, we do them a greater damage than we can possibly overcome by any favorable action that we take here.

Some one spoke about Argentina. Of course, a surplus of wheat has been accumulating in Argentina and Australia, and they could not send it to Europe because of war conditions. Cotton has accumulated in Egypt and India. The exchanges of the world are disorganized. You can buy Canadian wheat with Canadian dollars, the same number of dollars you can buy it in America, and have a profit of sixteen cents a bushel, and, of course, the buyer will go to Canada. Of course, England will bring wheat from Australia, the millions of bushels which she paid for during the war, before she will come to this country and buy our wheat. That condition is world-wide. We are exporting millions of dollars more than we are importing. That can not continue. We can not continue trade with an impoverished world. We can not continue to sell more than we buy, because our customers will be getting poorer all the time by the operation. We might just as well face the situation.

I am heartily in sympathy with anything that will extend credit to the farmer. I hope the farm loan law can be changed, if possible, to remove any doubt about its constitutionality. The constitutional question there involved is: can the government exempt from taxation what is in effect a private obligation. That is the only question and, if the supreme court holds it can be done, that ends it. If they hold it can not be done, no legislation can cure it. It will require an amendment to the constitution to correct it.

But anything that would go out from here that would lead the American farmer to think that by simply borrowing money he could hold his cotton and rice and corn, and raise the price, would result, I think, in disaster to our country. I am a farmer myself. I have two farms, one up in Minnesota. I bought three carloads of cattle at eighteen and a half cents a pound at Minneapolis, and I could not get out of them anything like what they cost. The manufacturers and merchants all over the country have just exactly the same situation the farmer has to face. We are going through a period of deflation, and we have got to go through it; you can't stop it by legislation. You can't stop the economic laws that are in effect now, not only in this country, but throughout the world.

I want to see this committee appointed, I want to see some report made, anything done that we can do to encourage congress to pass a law extending credit to farmers, in a legitimate way. And yet we must send our products and manufactured goods to South America and bring back their products to this country; we want to send our products to England, Germany and the nations of Europe, and bring back raw materials from Australia, South America and Egypt. All these questions enter into it. It is no time to fool the people or mislead them by the information that with some sort of legislation you can stop the inevitable movement of economic laws over which we have no control. What we want to do is to help them in every way we can without hurting them. I am heartily in favor of this Conference taking action in that direction.

GOVERNOR SPROUL—Mr. Chairman, I call for the question on the appointment of the committee.

GOVERNOR BICKETT—Mr. Chairman, I move that it be made a committee of five.

THE CHAIRMAN—To be appointed by the Chair?

GOVERNOR BICKETT—Yes, sir.

The motion prevailed by unanimous vote.

THE CHAIRMAN—The Chair will take a few minutes to select the committee. In the meantime we will proceed to the next subject, "The Responsibility of the State for Industrial Justice," by Governor Henry J. Allen, of Kansas.

THE RESPONSIBILITY OF THE STATE FOR INDUSTRIAL JUSTICE

GOVERNOR HENRY J. ALLEN of Kansas

Mr. Chairman, ladies and gentlemen, members of the Conference: I have been very much interested in this discussion we have been carrying on. I do not want to continue it, but I am impressed with the reminder the distinguished Governor from Indiana gave us, that these are natural results of a somewhat unnatural situation and can not be avoided. We have not had much of the war so far as the United States of America is concerned. We made money during the period prior to our getting into the war, and we did not lose any money during the period when we were in the war, and now we have come to meet the challenge of some unnatural conditions which arose during the war, and we will have to take our medicine, I dare say, and, if there is anything that can be done by counsel and by the help of government, it ought to be done.

I have come to talk to you about the subject of industrial justice and the events leading up to the establishment in Kansas of the Court of Industrial Relations. Governments have taken charge of every other social disturbance, and it seems to me that we have arrived at the period in the development of our nation when industrial controversies should be settled by an impartial tribunal.

Thirty-five or forty years ago the strike was not the deadly thing it is today. If a milk strike came on, you could borrow milk from some neighbor who kept a cow. If a packer's strike arrived, there were plenty of people who were still putting up their own meat. If there was a strike in the coal mine, it did not mean a fuel famine, there was still plenty of individual mining. Private endeavor had not then succumbed to giant corporations for the purpose of obtaining

a monopoly in the production of the essential commodities. Gradually, the entire system of production, manufacturing, transportation and distribution became knit into a machine. Now, when one part of the machine ceases to function, its far-flung system breaks down everywhere. The public, therefore, is at the mercy of the system, and the need for an impartial adjudication of the strife that threatens the public is apparent. The need that government should put a stop to industrial strife is just as great today as any need of past days which presented the necessity that government must stop the other forms of strife.

The Kansas Court of Industrial Relations, about which I am to talk to you for a few moments, came into existence as the result of the general coal strike of about a year ago. In Kansas, the mining district was one hundred per cent unionized. Everybody was out of coal except the operators and the miners.

I went to the supreme court and asked it to turn over the state under a receivership some three hundred and fifty coal mines, in the mining district, in order that we might operate them and supply the needy communities with fuel. I will never forget the look of mild surprise that came into the face of the chief justice of our state. He put his glasses up on his forehead and looked at me and said, "On what allegations?" I said, "Well, Judge, any allegations you think would work."

Men have been kind enough to give me some credit for courage in respect to state operation of the mines. I want to tell you the first credit for courage belongs to the supreme court of Kansas, which dared to do a new thing which was necessary at the moment.

After the mines had been taken over, I went to the Pittsburgh district for the purpose of urging the miners to go to work for the state, to relieve the public from the danger of a fuel famine. In justice to these miners, I want to say that I think a very large percentage of them wanted to go back to work. I promised them, that whatever agreement was reached by their national leaders, then in conference at Washington with the operators, would be made retroactive

to the time they began work, and if, on the first of January an agreement had not been reached, the state would itself take up their case. Hundreds said to me, "We would like to do that; we think your proposal is fair," but that if they should go back to work their property would be in peril, their families humiliated and their very lives endangered.

I talked, I think, for six nights and six days to more than fifteen thousand miners, and I made just one convert—an American-born miner by the name of Guffy, who said, "Governor, I will stay and help the state mine coal." He stayed on weeks afterward. When the strike was broken and the operators had taken back their mines and the miners again had gone back to work, Guffy's union met and suspended him for ninety-nine years. Then they went to the landlord and said, "We have put Guffy on the black list. You are not to let him stay in your house any more." They went to his groceryman and discussed with him this subject of credit which you have been discussing this afternoon. They said, "You are not to extend any more credit to Guffy, he is on our black list." Surely government may foster a better spirit of brotherhood than that.

Horace Greely once said that the American people are a great people if you get them a little bit mad, and we were great at that moment in Kansas. We were all mad.

The state then called for volunteers to take charge of the mines. The response to the call was instantaneous. More than ten thousand men from every walk of life enrolled. From this great offering we selected a sufficient number of young men to man the strip mines, choosing them largely from those who had been in the service of their country. I had seen this type of men in France overcoming such obstacles that I found it impossible to accept the philosophy that coal could be mined only by certain self-classified individuals, at certain hours of the day, under certain fixed regulations. I knew better.

I will never forget the first trainload of volunteers that unloaded at Pittsburg. The miners met the train. They had seen strike breakers before, and they came with certain things in mind which they were going to say to these boys.

Then these lads unloaded from the train—keen, straight, kindly eyed, many of them dressed in the uniform of their country. They were so obviously what they were that it was utterly ridiculous to say to them anything the miners had come to say, and so the miners received them in silence.

Then our men lined up and began to march down the street. The weather was below zero and the Kansas zephyr was functioning. I remember one union miner out on strike who came up to one of these young lads in whom I had an interest. He said, "Well, Bo, you ain't going to the mines today? Why, the mines have been shut down for three weeks. There is a lot of water in them. The machinery is out of repair. Why, we couldn't mine coal out there." This lad never looked at him, but just answered out of the corner of his mouth and said, "Did you ever see any trenches in France?" This man hadn't, so he didn't have the answer.

The first day they produced a car of coal, which went out west somewhere—I believe it was to Coldwater. Coldwater afterwards complained that it was not the usual grade of nut coal. But she took it, though I am firmly convinced it was slack. Some of these young chaps were too enthusiastic and they sometimes put in a larger charge of powder than was really necessary and they reduced the lump coal to a finer variety.

The production increased each day as the mines were placed in better condition, and at the end of ten days these lads had mined enough coal to relieve the emergency in two hundred Kansas communities. Then they realized that they were doing a greater thing, a more fundamental thing, than producing coal for the need of the public. They were proving to themselves and to Kansas that a state still has the power to protect its people against the dangers of a civil war, though that war may be called a "strike." These lads never asked what their wages were going to be. They worked from daylight until dark. They wrote as fine a page of patriotism as had been written in the history of Kansas.

While the operation was still in progress, a special session of the legislature was called for the purpose of passing a law which would make it impossible in the future for any

strife between labor and the employers of labor to subject the public to the economic waste and physical danger of a shut down in the production of an essential commodity. The essential commodities were declared to be food, fuel, clothing and transportation.

The legislature consumed 21 days in the discussion and passage of this legislation. Nearly ten days were given over to the representatives of labor and employers to voice their objections to the bill. Distinguished men were heard upon both sides of the subject. The bill was then passed by almost a unanimous vote, only seven members of the house and five members of the senate voting against it. The measure has been held to be constitutional by the supreme court of Kansas. It is the law of the state and everybody expects it to be obeyed, just as every other law of the state is obeyed.

The most frequent misrepresentation of the law is that it takes away from a man his God-given right to quit work. I agree with you that any law that sought to do that would be an infringement upon human liberty, and we have not dreamed of taking away from any man this right. The law expressly points out that nothing in it shall be interpreted to deprive any man of his natural right to cease his employment at any time or to choose his employment. It says to this man or this group of men you may quit work any time you wish, but, having quit, you shall not come back tomorrow with your pockets full of dynamite to prevent this man who wants to continue on the job from doing so.

It holds that the right to work is just as sacred as the right to quit, and that it is the duty of the government to protect both men in respect to their natural inclinations touching the matter. The court recognizes that the finest basis of industrial peace is that which is founded upon mutual agreement and mutual understanding, but in the event the parties to the controversy cannot agree and the welfare of the public is threatened, then the court steps in with its offer of impartial adjudication.

It is not a court of arbitration. I think in the last campaign the question that was asked me most frequently by union labor leaders was why I did not put upon the court a repre-

sentative of organized labor. I did not put upon the court a representative of organized labor for the simple reason that I did not place upon the court a representative of employing capital. If I had put upon the court a representative of organized labor, a representative of employing capital and some man representing the so-called public, what would I have had? A court of justice? I would have had a court of arbitration, and arbitration has failed through the growing industrial quarrels of the last sixty years in this country. Arbitration cannot work satisfactorily, because there is nothing to make it work. It may work, but this plan provided by the Kansas law must work, because it is government, and government cannot fail.

If you and I resort to arbitration, you select a man representing capital, I select a man representing organized labor and these two select a third man, who represents compromise. He may do one of three things: he may join your side and get a partisan decision in favor of capital; he may join my side and get a partisan decision in favor of labor; or he may dicker back and forth and get a dog-fall, but into the consideration of the board of arbitration there never comes any concern for the public, whose interest is chief at stake in matters relating to essential industries. And so we have wiped out arbitration and have gone to adjudication, under the pledge of just and righteous government.

My friends, if moral principles do not exist in American institutions to meet this emergency, then American institutions are doomed to failure, for the challenge here is the challenge to government, and the question we decided in Kansas, or sought to decide, is whether or not government may take the same jurisdiction over the quarrels of capital and labor that it has taken over all the other quarrels of society. Centuries ago the gauge of battle was removed and courts of justice established. With the growth of necessity property courts, domestic courts, criminal courts—all in answer to the demand of society's evolution—took their proper places in government.

Under the general welfare clauses of the constitution, government regulates the citizen from the day of his birth

to the day of his burial and does it all for the common good. Government has come to the door of every governor in his conference and has told him certain things he must do and must not do. It regulates the relations of the husband and the wife. The most sacred relation in the world is that of the parent and the child, and yet government says to the parent you shall raise your child according to a program prescribed by the law. You shall keep it living in moral surroundings and buy it certain books and build it certain school houses and employ it teachers and, in my state, thank God, it says, no matter how much you may think you need the labor of the child, you shall keep it in the schools until it has completed the course of education prescribed by the state and shall not allow it to labor in factories or in mills until it is 16 years of age.

Government can do more than that. No man rises so high in the world that it cannot go to him under certain circumstances, take him before a court of justice, and a judge shall say whether he is to have back his liberty or be confined behind prison bars.

If government may do all this, if it may pass upon the sacred relations of the husband and the wife, of the parent and the child, if it may pass upon the life and liberty of the citizen, is there any reason for presuming that government may not also find justice for the laboring man in his controversy with his employer?

Government does manifestly more than that just for the comfort of the people. If tonight here in this beautiful, well-ordered city of Harrisburg two men should meet under the window of the room in which eventually I shall be sleeping and should get into a quarrel, scratch each other up, tear each other's clothes and waken me, I could have them both arrested and sent to jail—not for what they were doing to each other, but for waking me up. There was a day, which many in this audience remember, when the only question ever asked as to a fight was as to whether it was a fair fight or not. Now the first question you ask is, "Where was the officer all the time this was going on?"

The Kansas law is founded upon one of the oldest principles of human government. It constituted one of the laws inscribed upon the Roman tablets—*Salus populi, supreme lex esto*—let the safety of the people be the supreme law. If government is unable to provide justice in industrial controversies—then government is a failure.

The finest definition I have ever heard in my life of government—and men are always telling us what government is for, that it exists for equality, liberty, to make the world safe for democracy—is by Samuel Adams, when he said, "The chief aim of government is justice."

Justice has been the foundation upon which Anglo-Saxon civilization has builded all its government. Why, Burke, the great advocate of Anglo-Saxon justice, speaking in the parliament of Great Britain, once said that "all the power of England, including its king and its army and its navy, exists for the sole purpose of getting twelve honest men in a jury box." That is government.

And so in Kansas we have simply provided, as the growth of industry has demonstrated its need, the same sort of impartial tribunal for the adjudication of labor disturbances that we have established for other civil disputes. We have put a stop to every private quarrel in the United States except the labor quarrel. We have legislated against every other fight, from dueling to fist fighting, and men have grumbled when we did it. I can remember the day out in Tom Campbell's state when the government proclaimed that it would no longer be necessary for men in order to be considered well dressed to carry a pistol. The men said, "We do not want to do away with six-shooters." Western Kansas screamed and said, "We don't want to give up pistols, we are out a good deal at night time and need them for protection." The government said, "You don't need them any more, there is a policeman, a deputy sheriff or a marshal to provide protection." No man today would go back to the way of living when the citizen protected his own by individual strength.

This law has been in existence nine months. It has decided some fifteen or eighteen causes, I believe, in causes brought

by organized labor, and every decision that has been made by the court, with the exception of one, has been accepted as satisfactory both by labor and by capital. There has been one decision appealed from the industrial court to the federal court upon the subject of jurisdiction.

The first case we had was against the Joplin, Pittsburg and Galena Railway Company. There had been two strikes in that railway company, one in 1917 and one in 1918. The one in 1918 lasted ninety days, costing the strikers many thousands of dollars, costing the community millions in loss of transportation, and at the end of ninety days the strikers came back to work at the old wage, having gained nothing. When the court was set up these men brought their cause before it, and the petition asked for a "living wage." The presiding officer of the court, in rendering the final decision, called attention to the fact that the legislature had not seen fit to endow the court with the power to grant a "living wage." The language used by the legislature in creating the court declared that the court should grant to every laboring man a "fair and just wage."

What is a living wage? It is a wage sufficient to meet the cost of living.

A fair and just wage is a living wage, plus enough to enable a laboring man to give to himself and his family some of the blessings of modern life, plus enough to enable him by reasonable frugality to build a safeguard against sickness and old age. So the court gave to these men a fair and just wage.

And then the other crafts of this railway company, taking the award of the carmen as a basis, got together with the proprietors of the road upon an agreement for all the employees, and peace reigns in a district where before this there had been two devastating strikes and there would have been another one this winter but for the court. Wasn't that better than the strike of 1918? Wasn't it better than what happened in Governor Shoup's beautiful city, where eight hundred tramway men went out upon a strike over a wage and working condition, and declared not only would they not run the street cars of Denver, but they would not let

anybody else run them. What followed? Martial law in Denver, men killed, thousands of dollars worth of property destroyed, and at the end not a thing settled, not a victory for any body.

Out at Goodland, Kansas, the Rock Island railroad employees in a car shop had been trying for years to get the Rock Island Railroad Company to inclose the car-repair shop. In 1905 they had a law introduced in the legislature declaring that every railroad company must inclose its repair shops. When the law came out of the hopper, having fallen victim to the clever manipulations of some railroad representative, it read that every railroad company might inclose its car-repair shops. So for fifteen years more they continued to quarrel about the case. Then the industrial court was set up, and the employees read in the law this great provision: "Every such laboring man is entitled to a fair and just wage and a wholesome and healthful place in which to work."

This is the first time any parliament or legislative body in the world has ever standardized the rights of labor in a succinct declaration like that. And so the Rock Island employees brought their cause before the industrial court under that great authorization. The industrial court heard the case, and on the 31st day of August, 1920, ordered the Rock Island to inclose the car shops and have it done by the first day of November. The work is done, and a fifteen-year-old wrong is righted because the court had the spirit to make a decision and the power to back its word.

The court discovered that there had grown up in the Pittsburg district a greedy practice of discounting a man's wages ten per cent if he drew his pay before payday. Under the law payday is once every two weeks, but if a miner had worked a week and could not wait until payday for his money he could go to the operator and collect his pay a week in advance, and the operator discounted his pay ten percent—that is, he charged him ten per cent for the use of the money for a week, a rate of 520 per cent per annum. This greedy practice had prevailed in that district for twenty-five years, and no miners' official had ever protested against it. When

it came to the attention of the court, the court wiped it out in eighteen minutes.

When I went to Pittsburg to begin the mining operations, there was a beautiful hospital builded out of the pride and generosity of the community. During the "flu" weather one hundred and fifty miners and their families were sick in that hospital. A few days after we were located in Pittsburg two miners came to me and said they had been supplying the hospital with coal out of a small shaft, but requested me to supply them in the future. I said, "No, you go and produce this coal. We are not here trying to get coal for people who know how dig it." The spokesman said, "We are mighty sorry you feel that way about it, but today our leader has ordered us not to mine another pound of coal for the hospital." I said, "Do you intend to tell me that your leaders are so mean that they would let their own people freeze?" He replied, "If you don't give us coal, there will be death in the hospital by tomorrow night."

I let them come to a mine where we were mining near town, and for three days they sent their trucks for coal. We loaded them and provided coal for the hospital. On the fourth day these two men came back and said, "Governor, will you haul the coal for us?" I said, "Why ride a free horse to death? Haul your own coal." "Well," they said, "all of the truck men have gone upon a sympathetic strike, and there isn't a man in this town that dares to touch that coal, and unless you haul it there will be no coal, and we are as bad off as we were four days ago." And so we mined the coal for them, hauled it to the hospital, and for several weeks kept alive one hundred and fifty union miners on scab coal. Now, surely, surely, government may foster a better spirit of brotherhood than existed in that community.

A poor woman came to me, bearing all the sordid marks which hopeless poverty place upon a life. She said, "I have spent the last dollar I had to come here from Weir City to tell you my troubles. My husband has been on a strike for six months. He doesn't even know what the strike is about. We have been keeping the family together and the children in school on strike benefits of \$8 a week. We were

so poor that when your volunteers came down to the Italiana mine near my house I went down to see if I couldn't get some washing and mending from those boys. I brought home a nice lot of work, but last night a committee from my husband's own union called upon me and told me that I was not to do that work and I was not to go back to that mine."

They say, "You have taken away from the laboring man the only weapon he had in his right to strike." It is an adequate answer to say that we have given to him, in every honorable controversy, the more dependable and modern weapon of government—a weapon that lacks all the kick of the old blunderbus that the strike leader has been putting into his hands for the torment of civilization for sixty years in this country.

In spite of the fact that every decision of the court has indicated its capacity to serve and its disposition to render exact and impartial justice, every union-labor leader is fighting the law and urging other states that are now considering the law not to adopt it. They are fighting it in Iowa because members of the Iowa legislature are thinking of introducing it. They fought it recently in Governor McKelvie's state, where the subject was before the people in the form of a proposal for a constitutional amendment. In Kansas they started six months ago to take 75 cents a month from every union-labor man's salary to build a campaign fund with which to fight the industrial court law. They are fighting it, in spite of the fact that the court has made distinct progress. Why do they fight it? Because these union labor leaders realize that if government may find justice for the laboring man in his quarrel with capital, there will no longer be any reason why the laboring man should give out of his salary every month a large per cent of his savings to keep going a lot of hard-faced, soft-handed radicals, who live off the strife they engender—that is why.

During the campaign this fall I spoke at Herrington, Kansas, which is a town of several thousand people, most of whom are employed in the Rock Island shops. I told them most of the incidents I have related to you. After the meeting was over as I was going down the street I noticed a

woman talking to a half dozen men, and she was continuing my speech. She said, "You know he told you the truth, you know he told the truth about your leaders, you know he is the only man who ever came here offering to do anything for us without wanting a percentage of your salary for doing it." She turned to her husband and said, "Bill, you know if you had the money you have been spending for the last year to keep these worthless leaders of yours going, I could have had my vacation last summer." She was telling the truth, because it is the striker's wife, like the soldier's wife, that bears the brunt of the industrial conflict.

Well, I have rambled along here. I have consumed three quarters of an hour, and I do not know whether I have made you understand this law or not. Sometimes I don't understand it very well myself. The only thing I want to tell you is this—it is working, and working in spite of the position of the union leaders, both state and national.

I am not seeking to condemn any of them. I have mentioned Samuel Gompers' name. I think he has done much for labor, but Gompers is obliged to be conservative when they are conservative, and radical when they are radical; and just now union labor is radical. The I. W. W. has grown weaker because much of its membership has gone into the American Federation of Labor. That has been the trend during the past two years.

You remember the story of how Paul, when he went to Ephesus preaching the religion of the one God, found that practically everybody was willing to rise and follow him, as they have been for the two thousand years since. Then Demetrius, the chief silversmith of the village, whose business it was to make images for the followers of Diana to buy, gathered together all the other silversmiths of the village and said, "See how Paul insulteth the temple of Diana," and in an undertone he added, "Moreover, he endangereth our craft. If all the people follow Paul, who will buy our images?" And so they arranged, when Paul came back on the morrow, for a great demonstration. They got up a great parade and shouted, "Great is Diana of the Ephesians."

Gompers and his tribe realize that if government may find justice for the laboring man, then there will no longer be any market for the tin gods he has been selling to the laborer for the last fifty years in the United States.

Is there anything in this law that any of you want to ask a question about?

GOVERNOR GOODRICH—Is there any method in this law, when the finding has once been entered, to enforce the finding?

GOVERNOR ALLEN—Yes. This court is more a commission than a court. It has administrative and judicial functions combined, and because that is too powerful a thing to have under one court, we have allowed an appeal from the Kansas court direct to the supreme court, and when the supreme court has considered a case from the industrial court and passed upon it, that is the law of the state.

GOVERNOR GOODRICH—I suppose when they make the award and find what is a reasonable wage, if they refuse to work there is no penalty imposed upon them.

GOVERNOR ALLEN—No, and they can quit work, and there is no penalty.

GOVERNOR GOODRICH—They are perfectly free to work or not?

GOVERNOR ALLEN—O yes, but they are forbidden to conspire to close down this plant, and, of course, the conspiracy is in the intent.

Question: Of these something like fifteen or eighteen findings, how many have been against the laboring man, the working man?

GOVERNOR ALLEN—Out of eighteen findings, fifteen have been in favor of the laboring man.

Question: Just what was the nature of the three against them?

GOVERNOR ALLEN—One against denied the application of the court's order as a retroactive application. It denied him

the right to collect back pay, as much as he wanted. That was one. The other was some signal men in an electric railroad, who by reason of the needs of their employment could keep a garden and take care of their work, and it was held not to be a just cause.

Question: Are the members of the court appointed by the Governor?

GOVERNOR ALLEN—Appointed by the Governor with the consent of the senate. and with overlapping terms.

GOVERNOR GOODRICH—What is the line of distinction between the Kansas industrial court and the New Zealand and Australian courts of arbitration?

GOVERNOR ALLEN—One of the essential differences in the beginning is that the New Zealand courts are courts of arbitration, and no one may come into the New Zealand court except he belongs to a chartered union; the court exists largely for the purpose of enforcing the awards of arbitration. One more, and a very essential difference, is that in New Zealand the aggrieved person may appeal from the procedure out of the court to parliament; an unfavorable vote from either house of parliament wipes out the procedure of the court. And then another thing that makes the New Zealand court lack in effectiveness of operation is that the awards of the courts are in fines, (forfeitures) collected in civil courts as other fines (forfeitures) are collected. They have not been able to collect them.

GOVERNOR GOODRICH—The test will come in the near future, when the awards will be against the laboring man and when the employer may come and say, "We want the wages reduced," and the court will no doubt have to deflate wages to some extent. I take it then will come the real test.

GOVERNOR ALLEN—As I say, the law has been held to be constitutional by the courts.

GOVERNOR GOODRICH—I do not mean constitutionality. Will the workman, on the other hand, when they tell him he must accept a reduction, will he accept the reduction?

GOVERNOR ALBERT RITCHIE of Maryland—It is my opinion that when that hour comes that this court will be the most useful thing to him that government may provide. When there is a surplus of labor the laboring man needs the protection of government, because the manufacturer and employer is taking advantage of the surplus, and when a manufacturer may go down to the soup-house and select workers and a just court may then protect the laboring man against that condition. I agree that when you begin to seek the reduction of wages by a court you are going to have trouble, but every laboring man today is looking at this situation just as we are looking at it. I realize that inflation is at a point where deflation must begin, and he is going to keep the high wages up as long as he can. But when the thirty thousand men that they say are out of employment at Akron and the twenty thousand at Dayton begin to produce a labor surplus, then the laboring man himself will feel the pressure and he will want the protection of the court to keep the thing from going to pieces, and it will make him dependent upon the court.

GOVERNOR SPROUL—May this court act on its own initiative?

GOVERNOR ALLEN—Yes, upon the direction of the Governor, upon the petition of ten citizens, upon the petition of any laboring man, or upon the petition of the attorney general.

GOVERNOR SPROUL—These cases that have come before it, in how many of them have the laboring men been plaintiffs or have instigated the action?

GOVERNOR ALLEN—In seventeen, all but one or two cases.

GOVERNOR SPROUL—How was that court appointed, by the Governor?

GOVERNOR ALLEN—By the Governor.

GOVERNOR RITCHIE—What caliber of men were you able to get on it?

GOVERNOR ALLEN—For the present judges of the court we pay a salary of five thousand dollars, which, of course, is not enough, although it is the usual salary of our judges. We have had the good fortune to secure able and honest men.

GOVERNOR RITCHIE—Are they permitted to do any other work?

GOVERNOR ALLEN—No, they are kept very busy.

Question: Is the scope of this court labor disputes only, or does it pertain to the necessities of life?

GOVERNOR ALLEN—Labor disputes in essential industries. The law declares essential industries to be food, fuel, clothing and transportation.

Question: The law itself declares what are essential industries?

GOVERNOR ALLEN—Yes.

Question: What is the nature of the case now pending in the supreme court of the United States?

GOVERNOR ALLEN—Only a minor point is involved, and the supreme court knocked it out. It involves the power to subpoena witnesses. This was a case brought by the president of the miner's union who refused to testify.

GOVERNOR S. V. STEWART of Montana—The question affects the constitutionality of the act?

GOVERNOR ALLEN—The question of the constitutionality of the act, and upon that point they have asked the supreme court to enlarge the case. Our side was to raise some other points. I don't know whether they will or not.

GOVERNOR GOODRICH—We had a case decided by a district court against our trade commission. Some of the same powers are vested in that commission as in yours.

GOVERNOR ALLEN—Our court in question administers the public utilities law of the state as well as the industrial

court law. That, however, is not a good thing. In the special session of the legislature, having the usual anxiety which legislatures have not to create new boards, they said, "We will put these two activities together." We did so, but it is not right, because the public utilities have been having a hard time, and every public utility in the state has come to the industrial court with some hard-luck story, the result of which has been that ninety-five per cent of the time of the court has been taken up in handling public utilities cases, and every criticism that has been made against the court has been made as the result of the great amount of public utility work it must do, which has nothing to do with the industrial court law.

GOVERNOR GOODRICH—I foresee difficulty when your court applies the law to reduce wages. Take a concrete illustration: in Indiana our coal operators come in competition with Ohio and Illinois. Should a petition be filed by the operators to reduce wages in Indiana, if an Indiana miner got five cents a ton more than the Illinois miner some difficulties might arise? It calls for a general plan it would seem.

GOVERNOR ALLEN—I see that difficulty, and the court must be just or it will not live, and the law must be sufficiently flexible to meet these situations or it is not sufficiently flexible to be of use.

GOVERNOR GOODRICH—The whole question of police power is very interesting. We in Indiana have passed a law creating a commission to regulate the price of coal. The operators have attacked it in the United States circuit court of appeals. It will go to the United States supreme court to determine the question whether the state in the exercise of the police power can regulate the profit on coal.

GOVERNOR ALLEN—We have been watching your effort there with a great deal of interest.

GOVERNOR STEWART—A law in Montana confers upon the trade commission there very broad authority, and in line with those powers they issued an order which provided

that merchants should mark on their goods the cost price and the selling price so that the purchaser would see what profit a merchant would make. This order was attacked in the federal court and was knocked out.

GOVERNOR ALLEN—Of course, this is a different principle, Governor Stewart. We are going upon the old principle that certain industries and businesses may be impressed with a public interest, and because they are so impressed, are subject to unusual regulation and control. Transportation, light, heat and power have been held to be so impressed. Now, the question is whether the clothing, food and fuel industries and businesses fall within this class.

I am very much obliged to you all. You have been very kind to listen to me so long.

GOVERNOR BEN W. OLCOTT of Oregon—I just want to speak a word of appreciation of the masterly address of Governor Allen. I want to say that if I got no other benefit or heard no other talk at this Governors' Conference than that of Governor Allen, I would have felt more than repaid for coming the three thousand miles that I have. Now, there will be introduced into the Oregon legislature a bill modeled along the lines of the Kansas law, and I would like to know if it would not be possible for a stenographic report of Governor Allen's speech to be made and given to each member of the Conference. Would that be possible?

THE CHAIRMAN—It will be in the printed proceedings of this session.

GOVERNOR SPROUL—It will be perfectly possible to have official copies made.

GOVERNOR J. B. A. ROBERTSON of Oklahoma—I desire to make a brief observation on this subject. I would like to agree with Governor Allen, if I could.

I have been watching the operation of that law with considerable interest, and I am frank to say that to all outward appearances at this time it is giving quite general satisfaction. Governor Allen has been in my state and made some talk on this law, and I am confronted with this situ-

ation: employers through their organizations are demanding the enactment of some law, and organized labor through its organization is demanding of me that no such law be allowed to pass. I had recently a discussion with organized labor, and I said, "I agree with you, no such law as that shall pass if I can prevent it, but my reasons differ from yours."

This is a new law, experimental very largely, and it has been tried out only while there has been a great scarcity of labor and wages have been enormously high, and naturally labor has been opposed to it. But when the reaction has begun and wages seek to go to their natural level, the shoe will be on the other foot, and it is going to pinch the employe.

While Governor Allen said that this law has been tested as to its constitutionality, yet those of us who have gone into these matters know that on many occasions points on the constitutionality of a statute can be brought up that have never been passed on and considered: and I am inclined to think that a condition may be developed whereby this law will be bound to fail under the commerce clause and under the contract clause not only of the state, but of the federal constitution.

In order for such a court to function properly it must be possessed of two powers, that is, the power to fix a minimum wage and a power to fix a rate for commodities, and to my mind it leads to a state of socialism. If we had state socialism in operation, then this law would work and be fine. As long as we are living under a competitive system, such as we are living under now, I can't see any bright prospects for this law; but I want to say to Governor Allen that he has rendered this country a great service in bringing this question to a focus and having it discussed and tested out. It took a brave man to do what he has done; and yet I will have to say this, that of all the states in the Union, Kansas, being almost exclusively agricultural, is the ideal state in which to try out such a law.

Then, too, Governor Allen had the power to appoint the members of the court. In many of our states the people demand that members of such bodies be elected by the people. In my own state we have a corporation commission that

has exclusive power over rates of public utilities. The members are elected by the people. In fact all judges and commissioners must be so chosen in Oklahoma. You can readily see to what extremes we might be led in the election of men on such a court. If all employers are chosen, the court would be open to criticism by the radicals. If the radical element control and elect the judges, property rights would be sacrificed and there would be no security, none at all. I mention this merely in order that you may think of these things because Governor Allen has started something that is going to be discussed very largely all over this country. If it will work out, it is fine.

GOVERNOR ALLEN—May I ask one question? I think I am asking the same question I asked Gompers in debate in New York, and it has never been answered. When an industrial controversy brings on in an essential commodity a condition where the health and life of a community is threatened by a strike, has the public any relief, or is it a private war?

GOVERNOR ROBERTSON—I would hesitate to answer that. The public has relief. They had relief in your state like they had relief in my state when they called out the militia and declared martial law, and normal conditions returned.

GOVERNOR ALLEN—I think your conduct in your state was a little unconstitutional.

GOVERNOR ROBERTSON—I am not criticising. Nobody appreciates the need of a solution of this problem more than I do, but at the same time I would like to see a solution that will stand the test.

GOVERNOR ALLEN—I am very glad. Do you think that we should attempt to deprive labor in the essential industries of its so-called right to strike?

GOVERNOR ROBERTSON—Well, that opens up a broad field for discussion. You and I agree fundamentally on this. We differ a little on certain minor details.

GOVERNOR ALLEN—Do you think strikes increase with financial depression? We have already spoken of the time that

is coming, Governor Goodrich referred to it—is it your observation that strikes have increased as the labor supply has increased? Isn't it true that in times of labor surplus and financial depression strikes reduce? Isn't it true that under Cleveland's administration we had fewer strikes than during any other administration of the country? And yet we had soup-houses and long lines of men waiting to be fed.

GOVERNOR ROBERTSON—I do not think it is true as a general proposition; I am not prepared to say.

GOVERNOR ALLEN—It is my belief that if you can find a weapon which will find justice for the laboring man in times when there is this sort of a condition of labor, and that will protect society against the strike, you will not need to worry about the particular need of the strike in times of depression, because in order to strike a man must have a pretty good job. In times of depression you have got to find a weapon which will prevent him from falling a victim to the greed of the employer.

GOVERNOR GOODRICH—Mr. Chairman, we are due at Governor Sproul's. I move that we adjourn to meet at 9 o'clock tomorrow morning, and that the report of the committee on agricultural problems be made a special order at that hour.

THE CHAIRMAN—The time set here by the program is 10 o'clock, and judging from the way we got here this morning that is pretty early.

GOVERNOR GOODRICH—Say 9:30. I make a motion that when we adjourn we adjourn to meet at 9:30 o'clock tomorrow morning, and that the report of the committee you appoint be made a special order for that hour.

GOVERNOR JOHN G. TOWNSEND of Delaware—Mr. Chairman, before we adjourn, I ask, as treasurer of the Conference, that you appoint an auditing committee to audit the accounts of the conference for the current year.

THE CHAIRMAN—I intend to do so, and I am going to make the appointment. The Chair is very arbitrary, and

we will not put this motion yet, because we have to announce the names of the members of the committee on national importance of agriculture. These are as follows: Governor Thomas W. Bickett, of North Carolina; Governor W. L. Harding, of Iowa; Governor Marcus H. Holcomb of Connecticut; Governor John M. Parker, of Louisiana, and Governor James P. Goodrich, of Indiana. I will also appoint a committee to audit the accounts of the treasurer. The treasurer seems very anxious to be looked after. The committee is: Governor Thomas E. Campbell, of Arizona; Governor Albert C. Ritchie, of Maryland; Governor Ben W. Olcott, of Oregon.

I am requested to announce that the Governors, their families and guests are requested to be present this evening at 7:15 at the Governor's mansion at dinner.

I am now ready to entertain the motion of Governor Goodrich.

GOVERNOR GOODRICH of Indiana—Mr. Chairman, I move that the Conference now adjourn until 9:30 o'clock tomorrow morning.

GOVERNOR WILLIAM C. SPROUL—Mr. Chairman, I second the motion.

The motion was agreed to.

Whereupon, the Conference adjourned until 9:30 o'clock Thursday morning, December 2.

THURSDAY, DECEMBER 2

The Conference was called to order at 9:30 o'clock A. M., Governor J. B. A. Robertson, of Oklahoma, in the Chair.

THE CHAIRMAN—Let the Conference be in order.

The special order is the first thing this morning. I will call on Governor Thomas W. Bickett, chairman of the special committee, to report.

GOVERNOR BICKETT of North Carolina—Mr. Chairman, during the delightful festivities of the evening the committee found itself unable to frame its report for the morning hour,

and asks to be allowed to report some other time during the session.

THE CHAIRMAN—Is there any objection to the request of the chairman of the committee? Additional time is granted.

THE CHAIRMAN—The first order on the program this morning is a paper on "State Income and Disbursements," by Governor William C. Sproul, of Pennsylvania.

STATE INCOME AND DISBURSEMENTS

ADDRESS BY GOVERNOR WILLIAM C. SPROUL, PENNSYLVANIA

Mr. Chairman and gentlemen of the Conference: I have prepared a rather rambling paper, rather more informative than technical, upon the question we are to have under discussion this morning. Unfortunately, owing to various causes, it has been impossible to get statistics from all of the states for years later than 1918, that is, revenue and expenditure statistics, but we have later information regarding legislation and suggestions in matters of state revenue and finance. The blueprints before you and the tabulated statements have been prepared by our Pennsylvania legislative reference bureau, from the latest information available, and will be useful, I think, in studying the general question.

The questions involved in State finances have been more acutely perplexing during the past two years than probably at any time within the history of most of our states. Those of us who are responsible for the handling of the fiscal matters of the American Commonwealths have had questions to solve which have been not only unusual but almost unheard of in the administration of the Commonwealths of America.

These conditions have been due to a number of causes, among which may be particularly mentioned:

First, the increased cost of operation which affects the

public business in the same way in which private affairs are affected.

Secondly, the increased demands for State work and the extraordinary conditions which have affected the school systems and the public health, and the increasing demand for well-maintained highways, as well as the provisions of bonus allowances for our soldiers and sailors in the Great War.

Thirdly, the high money rates and the difficulty in floating public loans, due to the great financial requirements of the Federal Government, and

Fourthly, the invasion by the National tax gatherer of the fields which were formerly supposed to be particularly reserved for State and local revenues.

INCREASING COSTS OF SERVICE

A little analysis of these various conditions may be interesting.

In the maintenance of the charitable and penal institutions of the States, the expense has increased by leaps and bounds. Not only the cost of the buildings necessary for these institutions but the expense of every requirement for the maintenance of the property and the inmates has been almost doubled since the beginning of the war period. During the past year this particular condition has been most acute, and in many States, and ours is no exception to the rule, deficits and overdrafts upon appropriations have had to be permitted to prevent an actual closing down of the work of caring for the unfortunate and dependent wards of the State. Salaries and wages in these institutions, and in all of the Departments of the State Government, have had to be increased in order to retain the services of efficient people. The old adage regarding office-holders that "few die and none resign" is no longer true, and in order to keep up the routine work and to perform the necessary functions of the State departments men and women have been held to their duty either through an appeal to their patriotism or by substantial raises in compensation. Even now, the salaries and wages paid to many public employees are not com-

mensurate with the increased cost of living, nor do they compare favorably with what is paid for the same work in commercial enterprises.

INVESTMENTS IN OUR SCHOOLS

The States all assist, to a greater or less extent, in the maintenance of adequate facilities for free public education. We are all familiar with the crisis which existed in the teaching force of the schools within the past two years and which has not yet been fully overcome, although the cessation of activities in many unusual lines of industrial production and the gradual reduction in the cost of the necessities of life, have made the school teacher's place more attractive than it was a few months ago.

The demands upon the States in this line, however, will grow continuously, as the whole plan of public education has received a general impetus since the close of the war. Largely increased appropriations will be required and the States will have to bear their share. The greater demand for educational facilities is particularly noted in the free institutions for higher education. In Pennsylvania alone this year there were between seven and eight thousand boys and girls who applied for admission to our Universities and Colleges who could not be accommodated, and this in spite of the fact that there are in this State more than forty institutions of a collegiate grade, ranging in attendance from a few hundred to as many as eleven thousand students. The people are gradually beginning to consider the cost of public education as a permanent investment rather than an expenditure, and the States will be expected to make better provision for their ambitious sons and daughters who desire the benefits of a more complete educational training.

PUBLIC HEALTH AND SOLDIERS' ALLOWANCES

The attention to a systematic oversight of the health of the people and the provision of adequate resources for meeting emergencies in the way of epidemics, and in guarding against the physical deterioration which was shown by the

statistics of the draft boards in the military conscription organization, are also making their demands upon the States resources. The extension of free hospital service, especially in industrial localities, requires State aid and the more-favored sections of the State are called upon to bear more and more the expense necessary to equip the less fortunate neighborhoods, so that all may have wholesome care. The tardiness of the government at Washington in making provision for soldiers' hospitals for the especial care of our soldiers and sailors who came home from the army impaired by wounds or sickness is also necessitating provision upon the part of the States for their urgent needs. The work of Americanization, the necessity for which was shown by conditions arising among the unassimilated elements in our population during the war, and the proper inspection and enforcement of laws in regard to housing, are also to be cared for to a greater degree than heretofore.

In some States, without waiting for Federal action, bonus grants, raised by special taxation or by loan, have been provided for the soldiers and sailors of the great conflict just closed. The financing of the large sums needed for this purpose has been a difficult problem at this time.

THE HIGHWAY QUESTION

Good roads are no longer considered a luxury but are now known to be a necessity for the proper development of the country, and especially in the distribution of food supplies and in the encouragement of agriculture, by making country life more attractive and remunerative to our people. No development of transportation or utility in all recorded history has progressed at such a rapid rate as the adaptation of the motor car to public convenience. Great as has been the increase in the use of automobiles the business is yet in its infancy, and its strictly utilitarian phases have hardly begun to be realized. When we catch our breath again after the recent orgy of extravagance, we shall go ahead in an orderly way to appreciate and utilize the motor car as an implement of great value which will aid in the development

and utilization of remote and comparatively inaccessible sections of our land.

Local communities cannot be expected to build and maintain the main trunk lines in our highway system. This is and will continue to be a function of the States with such assistance as the National Government may be able to give. State loans and State revenues will be drawn upon more and more heavily as the development of our highway system continues, and those Commonwealths which do not realize this situation, and which lag in their duty to our own people and to National progress, will suffer in the competition with their more enterprising neighbors.

Road building has increased in cost as all other construction has increased, and the rapid changes in the character of vehicles and the demands upon the highways has made heavier and more costly specifications essential. Hundreds of millions of dollars will be required for the great road-building era, and State fiscal authorities will be at their wits' ends to provide the means to meet the needs of our enterprising people.

FINANCING BY LOANS

In spite of the attractive features of State loans for investment, it is now impossible to float the same upon the basis of interest which prevailed a few years ago. This change has been most particularly noted within the past year. Loans made now will have to bear a higher interest rate, and while money rates will probably settle somewhat lower, the heavy requirements for refunding the National debt and the large amounts required to rehabilitate the railway systems of the country will draw heavily upon our capital for years to come.

GREAT FEDERAL TAX DRAINS

The amazing expenditures of the Federal Government which were required in our hurried preparation for war and in the prosecution of the great struggle in which we were engaged, have drawn heavily upon the tax-bearing ability

of the Nation. It may be surprising to contemplate the fact that the expenditures of the Government for this year will be a little more than six times the total expenditures of all of the States in the Union combined. Here in Pennsylvania our contribution to the National Government for the fiscal year is more than twelve times our total State revenue. We are proud to have the means to make this great contribution to our National Treasury, but we are disturbed by the thought that the Federal Tax list is so heavy and all-embracing that but few of the normal sources of State income are left available to us.

We probably may look forward to a reduction in the Federal taxation. We certainly have justification for such a hope now that the war is all over, except the details of the agreement. If the Federal Government is to maintain its heavy toll upon the enterprise and thrift of the people, we shall have to look to it to carry on some of the educational, constructive, custodial and remedial activities which are presumed to be the functions of the States. I do not believe that any of us want further Federal intervention in our purely local affairs. The States handle these matters more efficiently, more economically and with a better understanding of the needs of their people. I cannot but feel that one of the great protective influences guaranteeing the permanence of our Republic is the elasticity of our Governmental construction through the functioning of the States to meet the varying needs of the different sections of our land and the varying elements of our population.

PROTECTING STATE REVENUES

It would seem that there should be some line of demarcation between the subjects of Federal Taxation and those to which the States may look for their revenues. Surely the land, that one great carrier of taxation, which is always visible, always tangible and has no opportunity of escape, is bearing all of the burden of taxation which it can stand and any increase will add to the economic difficulties of our people and to the troublesome problems of homes and housing.

It would seem that the incomes of the people and the capital and earnings of most of the corporations, too, were bearing about all that they will stand for the present, and one of the things to which our economists and students of government might give their attention is the study of a plan which will reserve to the States some productive subjects of assessment and collection, which are not already loaded down with Federal levies.

There seems to be a peculiar miasma which arises from the Potomac. It is different from the breezes coming from the Kennebec, the Merrimac, the Connecticut, the Susquehanna, the White, the Neuse, the Congaree or the Kansas or the Willamette. There must be some germ from the Potomac which makes our national statesmen forget that the Nation is made up of States; that those States have functions to perform affecting most intimately the life and welfare of the Republic and that the operation of these activities requires money in generous quantities.

PENNSYLVANIA'S SITUATION

Here in Pennsylvania we levy no direct State tax upon the property of our people. Land and personal estates of living Pennsylvanians pay nothing to the Commonwealth in the way of taxation for State purposes. Our revenues are derived from taxes upon the capital stock, securities and earnings of certain classes of our corporations, upon inheritances and from various fees and business licenses. Taxation upon realty is left entirely to the municipalities and it will, I trust, be a long time before the State will have to add to the burdens which the homes, business establishments and farms of Pennsylvania are already carrying in the maintenance of the local governments. Public utility companies also pay a tax upon their gross earnings which is quite heavy. We levy no taxation upon capital stock of manufacturing corporations as we still are nursing our "infant industries" here, nor do we tax our vast mineral products the value of which alone amounts to well on to two billions of dollars a year. A ten cent per ton tax upon the coal mined in Pennsylvania alone would yield thirty million dollars

per annum, and a five mill tax upon the capital stock of corporations engaged in manufacturing and which are now exempt—the same rate as is paid by transportation and many other companies—would yield twenty-five million dollars additional. It will, therefore, be seen that our fields of taxation here are still inviting, and that much additional revenue could be raised without imposing any particularly heavy burden upon our people. It is our desire, however, not to impose taxes which will restrict business or bring any marked increase in the price of commodities.

It is rather interesting to note that apparently only two States in the Union make no levy upon real property, those States being Pennsylvania and her little daughter, Delaware.

DEVELOPMENT OF TAX SYSTEMS

The inheritance tax, as a source of State revenue, has become almost universal and practically all of the States levy both a collateral and direct inheritance tax, there being now but five States which do not collect from the direct bequests of decedents. The levy of taxation upon corporations is widely distributed. The banks, insurance companies and public service corporations seem to be the particular objects of taxation among the States and practically all of the Commonwealths levy a franchise and organization bonus tax. New York State, in the past few years, has gone farther in levying upon the income of individuals and corporation than any of the Commonwealths whose records I have been able to examine. The New York tax is upon the net earnings of corporations and the percentage is now quite high. A graded income tax has also been established. This exempts small incomes but levies up to three percent of income over \$50,000. Our big neighbor, which contains the financial metropolis of the country, gets a chance of taking toll from a whole lot of money which is earned in Pennsylvania and elsewhere, in the country, but which has its official depository in New York City.

Thirteen of the States impose income taxes. Some of these are temporary and are only being collected to meet the

unusual conditions of the present time. How long these unusual conditions will last is problematical but it is likely the taxes will last for a long time, as a tax when once found feasible is seldom repealed. In Pennsylvania, and many other States, Constitutional provisions prevent the exemption of small incomes and also the grading of taxation, and make an income tax impracticable. Probably this, however, is the greatest field for tax increase which is now available in most of the States and it is gradually being taken up as a source of revenue.

TAXES UPON NATURAL RESOURCES

States are also turning their attention to the depletion of their natural resources, such as coal, oil, gas and other mineral products. In the past there has been some objection to taxes of this kind, on account of the disadvantages under which it would place producers in States imposing it in competition with operators in other fields. Modern taxes of this kind, however, would not be burdensome and it would seem that in imposing them the States should make some return to the localities for reconstruction and rehabilitation, that they may not become, in the future, deserted mining camps with no industries upon which to depend.

THE TREND OF STATE TAXATION

In its inquiries our Legislative Reference Bureau here at Harrisburg finds that probably the strongest tendency in the trend of modern state taxation is towards the imposition of taxes for the support of the government in proportion to ability to pay, rather than in proportion to the supposed benefits derived from the government: a tax on incomes rather than on property; a tax on the proceeds derived from property rather than on the property itself. Property is not regarded as so satisfactory an indication of tax-paying ability as its yield or income. This is best indicated by the growing popularity of the various forms of graduated income taxation and the gradual getting away from poll taxes and from the extremes of the general property tax. The in-

heritance tax is another good illustration of the movement in this direction.

To more specifically illustrate this thought, the taxation of corporations may well be considered. The earliest form in which corporations were taxed was in common with individuals under the general property tax. This is still true in many of the states. Under this system, the tangible property of corporations is assessed as such, and further their franchises are assessed as personal property and taxed at the same rate as other property. The value of these franchises is arrived at differently in the several jurisdictions. The systems are all more or less arbitrary. Usually the capitalization is an important item to be considered. We now find a marked tendency towards corporate receipts in some form or other as the basis for the taxation of corporations.

Lastly may be noticed the growing consideration of social conditions in the matter of tax impositions, and the lesser consideration of the individual. Instances of this are the graduations of income and inheritance taxes, distinction between earned and unearned incomes, (as yet scarcely introduced in the United States), and exemptions from various forms of taxation for social reasons.

INHERITANCE TAXES

From the first form of the inheritance tax, i. e., a flat percentage tax on the estate of a resident decedent passing to collateral relatives and to strangers, until the present elaborate "transfer tax," graduated in amount, on both direct and collateral inheritances, and reaching out to the shares of stock and bonds of domestic corporations held by a non-resident decedent, it has made marked progress. There is a decided trend towards development in this form of taxation. Whether the present transfer taxes will be the ultimate word, remains to be seen. There are, however, many states whose present inheritance tax laws are far from the present high water mark, in the matter of the property which is taxed, reached in New York, Pennsylvania and several other states.

The inheritance tax is essentially a state tax, on account of its irregularity, due to the greater or less frequencies in deaths and to the great variance in the size of estates. Over a whole state these factors become more regular than in a single county. On the other hand, while it would seem that this reasoning would apply with even greater force to the inheritance tax as a federal tax, there is a grave objection to this form of taxation by the federal government; this for the reason that the estates of decedents are always administered by the local courts, over which the national government has no control. This leads to inequality in the enforcement of a federal inheritance tax law as among the different states and localities.

How the states are gradually working in this line is well indicated by the fact that in 1912 only twenty-six states imposed a direct inheritance tax and thirty-nine a collateral; while today thirty-nine states have direct and forty-four states collateral inheritance taxes. In one state, collateral inheritances of large estate are taxed as much as twenty-five per cent.

A word may be added on the subject of deductions to be allowed in ascertaining the clear value of estates subject to taxation. With the imposition of a heavy federal tax on estates this becomes important, for if a deduction is to be allowed for all taxes paid to the federal government and to other states, the amount remaining for taxation will be greatly reduced. In New York this deduction is not permitted while in Massachusetts and other jurisdictions it has been considered an expense of administration and a deduction has been allowed. A special clause was written into the Pennsylvania inheritance transfer tax law of 1919, providing that in ascertaining the clear value of estates no deduction should be allowed on account of taxes paid the federal government or any other state or territory. This clause has been set aside by the Philadelphia courts. This decision will result in the loss of much revenue. The loss in one estate now in process of settlement in Pennsylvania will amount to hundreds of thousands of dollars. One must feel, however, that this point is well taken by the Courts, as the entire

substance of the estate of cosmopolitan citizens might otherwise be claimed by the tax-gatherer.

A result of the general application of inheritance taxes, and the collection from non-resident decedents' estates, has been noted in the changing of the domiciles of corporations into those States in which their principal share-holders are citizens, so the duplication of tax levies may be avoided.

The greatest tendency within the last few years is towards the adoption of a State income tax. Fifteen states now have this tax, and most of these states have adopted their legislation recently. I am inclined to believe that more states would have followed had it not been for heavy burdens imposed upon incomes by the federal government. As a means for raising revenue the income tax has in its favor its simplicity, its universality and equity, and its productiveness. Great experience is also available from the efforts of the federal government in the collection of this tax.

The income tax law of New York taxes residents and also the incomes of non-residents earned in New York; and, following the New York system of inheritance taxes, the state allows no deduction for income taxes paid to other states or to the federal government. This is manifestly a very severe provision and I know of corporations which have removed their offices from New York to avoid this tax upon non-resident officers and employees.

In European countries income is often divided in earned and unearned income, and a higher rate is applied to unearned income. North Dakota has followed this system.

ASSESSMENT AND COLLECTION

A word of comment may well be included on the system of assessment and collection of state taxes, and the modern tendencies of these systems. It is probable that at one time all state taxes were assessed and collected locally. Of the general property tax this is largely still true. Assessments and valuations are made by local assessors and equalized by county boards, although state boards of equalization to adjust the local valuations for state purposes are becoming more and more general. (This became necessary because

of the practice of local assessors and even of county boards of equalization to attempt to lighten the burdens of state taxation on their particular taxing district or county by placing unduly low valuations on property within their limits.) A flat rate is then laid for state, county and local purposes. This rate is collected by the local collectors and usually paid into the county treasury, where the division is made and the payment over to the state of its share. In many states, however, the trend is towards a payment of the total tax to the state treasurer who makes a refund to the counties and local divisions. In the New England states, the general property tax must be said to be a local tax. The state tax from this source is laid against the town by the state authorities. The town and not the individual is made the tax payer of the state tax.

Just as the tendency is away from the general tax for state purposes, so the tendency is away from the collection of state taxes by the local taxing authorities. In some states—notably Pennsylvania—practically all the state taxes are now collected by the state fiscal officers through their special agents. This is largely an outgrowth of the adoption of distinctive state taxes, not available for local purposes. Each of these forms of taxation, when adopted, provided its own system of assessment and collection. Not being local taxes, the duty could not properly be placed on the local officers, and the system of valuation and collection by state agents grew up.

Many states now have a tax commissioner or a tax commission which have broad and comprehensive powers, among which is the adjustment of valuations made locally. Such an officer or commissioner of course is of peculiar value to a state having a general property tax for state purposes.

A study of a chart recently prepared for me by the Legislative Reference Bureau will be most interesting. Of course, I am not familiar with the Constitutional limitations which surround taxation legislation in the various States but it would seem in looking over this chart that there is much opportunity for securing a more uniform system and for increasing State revenue without imposing undue burdens.

VARYING PRO RATA TAXATION

The last available statistics showing complete records of State revenue and expenditures give the figures for the year 1918. It is interesting to note the wide variations in the per capita costs of the Government in the various States. The lowest expenditures are in older states of the south and the highest are in the states of small population, where sparse settlement makes the burden of the Government heavier. Nevada with less than 75,000 people, according to the recent census, shows State expenditures of \$12.67 per head while Arizona with larger population expended \$14.94. The lowest per capita cost for the year of 1918 was in South Carolina which expended \$2.15 while North Carolina with \$2.22, Arkansas with \$2.56, Georgia with \$2.62, Mississippi with \$2.78 and West Virginia with \$2.82 follow closely. Next to Arizona and Nevada the higher expenditures were \$10.90 in California, \$10.35 in Utah, \$10.17 in Wyoming, \$9.87 in Maine and \$9.82 in Vermont and New York expended \$8.05 per capita and Pennsylvania \$3.57.

The average for the country seems to be between \$5.50 and \$6.00 of State expenditures for each inhabitant.

Our ratio in Pennsylvania has now advanced to about \$6.00 for the last fiscal year when the figures of the other states have likewise advanced probably to an average of close to \$8.00 per capita. This compares with expenditures of the Federal Government now amounting to about \$50.00 per annum for every man, woman and child in the Nation.

This again shows how modest are the requirements of the states for all of their activities as compared with the expense for the preparation for war and governmental activities at Washington.

The necessities of most of the States will require tax legislation within the next few years, and I am convinced that one of the most useful bodies that could be created would be a Commission representing both the states and the Nation, and which could simplify our tax laws and make suggestions to Congress and to the State Legislature to prevent the duplication of State and Federal Levies, provide for the co-ordination of tax systems and to make recommendations

to Congress to so modify the Federal Laws that the States may be protected in their revenues, and their taxation sources saved from depletion by the Federal collections. The most hopeful project we have to contemplate is in the promise that the Federal requirements will decrease and that the public work which the State may better accomplish shall be adequately financed without undue burdens upon the industry and thrift of the people.

THE CHAIRMAN—Inasmuch as we are far behind in our schedule, if there is no objection we will postpone the discussion of these papers until after all have been read.

The next subject will be "The Budget and State Business Methods," by Governor John G. Townsend, of Delaware.

THE BUDGET AND STATE BUSINESS METHODS

GOVERNOR JOHN G. TOWNSEND, Delaware

Mr. Chairman, Ladies and Fellow-members of the Conference: I think that any Governor who has passed through the experience of the past four years realizes the real need of business efficiency, both in national and state government, and in preparing this paper I simply give you a business man's observations in four years of administration.

The wisdom of the budget system in public finances is no longer a debatable question. It is now admitted that in the administration of public affairs a budget system is essential for the orderly and intelligent handling of finances. In spite of this, however, it is admitted that the budget system has fallen short of expectation in many commonwealths where it has been in operation. Inasmuch as all business experience proves the wisdom and efficiency of the budget method of handling revenues and expenditures, we must look elsewhere than to the system itself for reasons of the disappointment.

One of the large contributing reasons is that common fallacy which seems to be inherent in the human race,—the fallacy of expecting laws automatically to bring about desired reforms. For one reason or another, real or fancied,

the public becomes dissatisfied with existing conditions. It proceeds to organize a movement which culminates in placing upon the statute books a law establishing some new governmental system or practice. For argument's sake it may be admitted that in the majority of cases the new legislation is generally commendable. But having thus wiped out the old and set up the new, the public loses interest, sits back and expects the innovation to bring about a millennium in public affairs. It is soon demonstrated, however, that the human equation is and must always be the largest and the dominating factor in public government, quite as surely as it is in private business, and this is the factor which the public overlooks in its perennial efforts to reform government. Neither laws nor systems operate automatically. No system of government can be efficient unless it is directed by men who are efficient. The early returns from the operation of state budget systems would indicate that people have once more fallen into the error of looking to laws rather than to men to bring about that efficiency and economy which they desire. It is a vain hope.

Experience with the budget system proves two things are essential to make the system workable. First, efficiency in public administration must be an antecedent to the preparation and the submission of the budget. Second, efficiency in public administration must follow the passage of the budget and must govern its expenditures. Efficiency is a much abused word. It is used loosely to cover a multitude of sins. I shall attempt to define what I mean by efficiency in state administration by approaching the problem from a negative standpoint. I will set forth what I believe to be the underlying reason for lack of efficiency in state administration. In other words, before we prescribe we must diagnose.

Some years ago a wave of "reform"—another popular and much abused word—swept the country. This reform was directed at administration of state affairs. The justice of these popular movements does not enter into this discussion. There may have been need for correction of administrative evils and irregularities. It is with the results ob-

tained that we are now concerned, for they have a very important bearing upon the present problems of the budget system.

By common consent the reform movement took the direction of decentralization of administrative authority and dissipation of administrative responsibility. Instead of correcting existant evils by holding those in executive authority to strict accountability, which is the only effective way of correcting administrative evils, the people began to demand the creation of all sorts of commissions and bureaus which should take out of the hands of existing administrative agencies those functions which they had been performing. Not only were commissions created for the purpose of taking over duties theretofore assigned to and performed by administrative agencies, but there was hardly a state in which there was not brought into being by legislative action commissions which were not only administrative but were endowed with quasi-judicial and quasi-legislative powers. These commissions and bureaus were clothed with such authority as to make them absolutely independent of all state executive authority. So wide was the sweep of reaction against the old form of government that in many instances legislatures creating these commissions and clothing them with vast powers, found later on, to their surprise and grief, that they had brought into being governmental agencies which defied even their creator. The result of this movement we have with us today in the multiplicity of bureaus and commissions, in the duplication and triplication of work and effort, in the multiplication of expense, in the lack of coordination and cooperation of the administrative agencies of the state government.

Created originally as the result of a protest against existing administrative agencies too many of these commissions took their cue from the condition of public temper which called them into being and set about fighting other state departments and state officers rather than cooperating with them. In too many cases this spirit still exists. All of this has worked toward disorganization rather than organization. It has brought about disservice rather than

service in public affairs. It has prevented state unity and state planning. It is not putting it too strongly that in some commonwealths this creation and multiplication of commissions armed with extraordinary power and accountable to no one, has almost wrecked orderly state government and brought about a condition of state feudalism in which each commission is lord of all it surveys.

Logically and inevitably the first act of each of these commissions or bureaus was to descend upon the legislature and demand appropriations commensurate with its idea of its importance. In making these demands it took no thought of any other commission or agency of government. It set out to get all it could. Our legislative halls became arenas wherein scores of these commissions and bureaus, independent of each other and of all executive authority, fought for appropriations. As a rule each commission was able to organize a certain element of public opinion and bring pressure to bear upon the legislature. The result was competition in expenditures rather than in economy. Like the proverbial snowball the demands of these commissions grew. The more power they had the more power they wanted; the more money they spent, the more money they wanted to spend.

There was no one to analyze their claims. So long as they violated no criminal statutes regarding the handling of money they were immune from investigation or accounting. Each commission had its own method of bookkeeping, purchased its own supplies, employed its own help, fixed its own standard of wages, made an accounting to no one. Beyond doubt, these commissions performed commendable service in the majority of cases, but plain truth compels the statement that the cost of performance was far too high for the service rendered.

As a consequence of this we have passed through a period of years in which the outstanding feature of state government has been its rapidly mounting expenses. Finally, these multiplied and uncoordinated demands for money began to push state expenditures to a point where they regularly exceeded the revenues, and pushed taxes to a point

where they became heavy, if not oppressive. Public opinion again began to be asserted. Reform in our methods of handling public finances began to be demanded. The response to this demand was the budget system.

I am now back to my text. The budget system has not measured up to expectations. How could it under the circumstances? So long as the multiplicity of spending agencies exist, they must be financed. In our little state of Delaware at the last session of the General Assembly there were over 70 different departments, bureaus, boards, commissions, institutions and administrative agencies which asked for and received appropriations. I believe our neighboring state of Maryland enjoys the existence of some 105 of such agencies. Under the law each has as good standing as the others. So long as the legislature keeps the breath of legal life in them it must provide them sustenance. In the preparation of any budget these agencies must be given a place.

Furthermore, so long as these agencies remain a law unto themselves, accountable to no one, without any uniform accounting or cost systems, without any cooperation in serving the public, acting independently of each other in purchase of supplies and standardization of service, jealous of their prerogatives and able to bring public pressure to bear in support of their claims for money,—there can be no efficient budget system.

A budget means a systematization of finances. It means a correlation and proportioning of all requests for money. Under conditions outlined,—conditions which prevail in all but a few of our states,—a budget becomes scarcely more than a collection, compilation and presentation of all requests from the various agencies. Due to the legal independence of these agencies it is impossible to go back of their requests, impossible for the budget making authority to compel these agencies to submit cost sheets, inventories and other information needful for an intelligent consideration of the merits of their requests. If their requests are reduced by the budget making authority the reduction

must be more or less arbitrary,—and that gives excuse for reprisals and opposition to the whole budget program.

Of course there is nothing to prevent these agencies from voluntarily cooperating with the budget making authority, everyone sacrificing something and working together for the common good. But so important a function as the preparation of a budget should not be dependent upon voluntary cooperation. It should not be subject to the danger of being placed in jeopardy by some agency or number of agencies deciding not to cooperate. Until the business of running the affairs of a commonwealth is looked upon as one big job to be done under one central authority with as little lost motion, waste of money and duplication of effort as possible, we are not going to have efficient administration. State planning is essential to efficient state government. No state administration can readily be efficient unless and until it lays out a definite program of economy, service and betterment and works for its accomplishment. The efficient and successful corporation today is that one which plans years ahead and formulates a financial policy that will take care of its plans without needless outlay on the one hand or financial embarrassment upon the other. The efficient business man or farmer today is the one who looks ahead two, three, five years and arranges his finances to carry out his plans. Even the efficient factory hand today is he who plans ahead, starts to buy himself a home and outlines a budget whereby he can pay for the home, educate his children and provide something for himself in his old age. Why should a state be any less far sighted? For what purpose do we have a government if not to provide for the future of its citizens?

Municipal governments have realized this essential fact. We now have on every hand city planning commissions which are thinking years ahead in laying out their streets, park systems, school systems, traffic lines, play grounds, public buildings and other municipal activities. In order that their plans may be consummated, they are also necessarily thinking years ahead in laying out their budgets.

To be efficient we must all get away from the old idea that "sufficient unto the day is the evil thereof." Even

before the movement which brought into being the multiplied commissions and other administrative agencies was started, our city and state governments lived a sort of hand-to-mouth existence; had a year-by-year method of meeting problems, without any particular purpose except that of "getting by." We wasted our natural resources, were prodigal in giving valuable public rights to anyone who asked, and otherwise lived and acted in an improvident manner. The movement which culminated in the creation of so many commissions was largely due to the dissatisfaction of the people with the lack of foresight of their administrative agencies. But as I have attempted to indicate, the creation of so many extra agencies did not solve the problem,—it only complicated and aggravated it.

It has taken the exhaustion of our natural resources, the wiping out of our frontiers, the disappearance of free land and, finally, the extraordinary expenses incident to the World War to bring American people face to face with the fact that government, after all, to be successful must primarily be efficient, and to be efficient it must be conducted in an orderly manner, with each administrative agency having a real reason for existence but cooperating with all other agencies and forming with them a system of administration for the direction of which there is some one held responsible.

Happily, public opinion is running in this direction. People are demanding the elimination of useless offices and commissions. They are demanding the simplification of governmental process. They are demanding the fixation of administrative responsibility. They are demanding full value received in return for taxes paid. They are demanding the introduction of business methods into public affairs. They are scrutinizing public appropriations to a degree never before known in this country. We are getting back to the original governmental conception of our political forefathers: namely, that there should be a responsible executive at the head of the government who should be held responsible for the proper administration of the government.

Illinois furnishes the most distinguished example of this trend. By the consolidation of the administrative agencies,

numbering over 125 into nine departments. Idaho, Nebraska and Massachusetts have accomplished much in the same direction, while many other states have made a start by consolidating and coordinating a department or two. Constitutional difficulties have been the most formidable obstacles to this movement, but even where they exist much can be accomplished by legislative enactment.

Very substantial progress is being made in other directions toward efficient administration. Where the consolidation of administrative agencies has not been undertaken, other methods have been initiated to promote efficiency, such as the establishment of uniform accounting systems and cost systems for all agencies of the government. The creation of central purchasing agencies is noted in ten states.* These purchasing agencies in many cases have the power to standardize materials and wages, as well as to economize in the buying of all supplies. Through these purchasing agencies budget-making authorities can obtain a pretty accurate inventory of the various state agencies.

Efficiency is needed in the expenditure of appropriations quite as much as it is needed in order to obtain an intelligent budget program. Happily, there is a growing recognition of this fact quite as much as there is of the need for simplification and coordination of administrative agencies and the introduction of business like methods in the daily routine of these agencies. For example, to promote efficiency in administration, heads of departments must be held accountable for results rather than for details. Animated by the very commendable desire to economize, legislatures recently have been hampering the efficiency of department heads by picayunish provisions in connection with appropriations such as fixing the salary of a stenographer, the price that may be paid for a lead pencil, the number of inspectors a department may have, etc., etc.

Getting results is an administrative, not a legislative function, and to get results, heads of departments must be left with a free hand. Efficiency depends quite as much

*These ten states are:—Alabama, California, Idaho, Illinois, Michigan, New Hampshire, New Jersey, New York, Ohio, Texas, Vermont and Wyoming.

upon initiative as upon any other human quality. The province of the legislature is to fix the amount of money the head of a department may have. The law creating his department fixes the limitations of his authority. Given the money and the authority he should be allowed to go ahead within these limitations and get results. It is absurd to expect him to be efficient if he is bound down with petty rules. Clearly, those who sit in legislative halls are not the ones to pass upon the details of an executive department. They should be satisfied with making appropriation and allowing the department head to obtain results in the way that appeals most efficient to him.

Modern budget making must take this view. If there is proper planning and balancing of the budget prior to its introduction and it is passed according to the plans set forth, more harm can be done in attempting too much detail in the supervision of its expenditure than may be done by permitting the beneficiary of the appropriations to work out his appointed task in the way that appeals most efficient to him.

I have not attempted to set down the details that should be followed by state administrative agencies in order that they may prove efficient. Details are a variable quantity. What would be efficient in states like New York, Pennsylvania, Massachusetts and Illinois, would not be efficient in small states like Delaware, and vice versa. I have only attempted to outline what to my mind is fundamental to efficient state administration, and have attempted to suggest certain conditions which must be met before any budget system of handling state finances can prove satisfactory.

Before closing permit me to tell you where the ideas, suggestions and questionings came from. For understand that none of these thoughts here expressed are definite conclusions. During the war the Health Department of the City of Wilmington came under the surveillance of the Federal authorities,—the result was a survey of our whole Department of Health by the State Council of Defense. The work of this survey was so satisfactory and brought out so many existing inefficiencies that the Council was led to a similar survey of all the department of state. Through the courtesy of one of our generous citizens, Pierre S. duPont the Council

of Defense employed the New York Municipal Bureau of Research to make the study of all the state administration offices, state institutions, county and city governments. This bureau was chosen because Illinois had adopted their recommendations and found a saving, I believe, according to Governor Lowden of something over a million dollars a year. The small state of Delaware found that it had 107 boards and commissions whose authorities were conflicting, whose work was overlapping, and in many instances duplicated and whose expenses were out of proportion to the service rendered or required. The recommendations of the bureau, if put into practice in Delaware, would create an administrative cabinet, under the Governor's appointment, of nine departments of state. I am not at all advocating that this sweeping change would be advisable. I am not at all sure that it would be. To put it into effect would require constitutional amendment. A serious performance in our state. So the report as presented was given to the last General Assembly with the recommendations that a State Survey Commission be appointed to take this report, study its recommendations and make a further report to the coming General Assembly, with recommendations as applied to local conditions. From this study that is being made in my state and comparisons with other states the questions that I have expressed here are, I think worthy of very serious consideration to all students of statecraft. You gentlemen may have the answer, to which I have reached no definite conclusion, only this I do know,—to prepare a business like budget presupposes, for efficiency, less duplication of efforts and less commissions and boards than now exist.

THE CHAIRMAN—This completes the general program for the morning. If I hear no objection to the plan, we will go back and finish up as nearly as we may. The next subject will be "The Work of the National Conference on Uniform State Laws," by Judge William M. Hargest, of Pennsylvania.

Judge Hargest is not here, and while we are waiting we will go on with the next paper, "Decentralization of Governmental Functions and Activities," by Governor R. A. Cooper of South Carolina.

DECENTRALIZATION OF GOVERNMENTAL FUNCTIONS AND ACTIVITIES

GOVERNOR R. A. COOPER, South Carolina

Mr. Chairman, and Gentlemen of the Conference: It is natural for one to suppose that a subject assigned to him and to which he has given some thought, is more important than any other subject. As I listened to the addresses since this Conference convened it has occurred to me that most of our difficulties will be solved or will at least be in better process of solution, if we will adopt a proper view of the subject that I am to discuss.

The decentralization of governmental functions and activities is not such a live question today as it would be under different conditions. It is chronic while others are acute. Take for instance the distressing condition of our agricultural industry, which was dwelt upon at some length yesterday. It is an acute and temporary condition, and so is the matter of taxation. This problem was ably discussed by Governor Sproul. As soon as we are away from the war conditions we will find an easy solution for that problem, and with the organization of state governments as discussed by Governor Townsend we shall find our way more systematically.

The subject of decentralization is, I am persuaded, more fundamental in the development of our civilization and in safeguarding American institutions than these others. The subject is too broad for me to attempt a detailed discussion in an address of any reasonable length. I will content myself, therefore, with touching upon some of the major ideas pertaining to our theory of government as suggested by the subject.

Our war for independence was fought for liberty, rather than for union. The Declaration of Independence is not an antiquated document. The principles there stated by the founders of our republic are fully applicable today. In that document it is asserted that the enjoyment of life, liberty and the pursuit of happiness is the inalienable right of man and also the objective of government, and any government that has not that as its purpose does not harmonize with the spirit of the Declaration of Independence.

The constitution under which we now live contains a solemn declaration of its purpose under what we commonly refer to as the general welfare clause. If you read that section, or that preamble to the constitution, you naturally place the emphasis on the last phrase, "to secure to ourselves and our posterity the blessings of liberty." In other words, individuality, the right of the states to grow and the right of the individual to enjoy the privilege of self-expression. However, in our great congresses, 1861 to 1865, the emphasis was more on the union, and the effort was successful in its cardinal aim.

Revert for a moment, if you will to the days of 1776. Reading the discussions that took place then and for years immediately following, you find difficulty in discovering any consensus of sentiment among the nation's founders for a powerfully consolidated government. Of course, there were those who did not believe too thoroughly in the democratic form of government which was generally proposed and generally endorsed. Mr. Hamilton had his followers. Even the great Washington, our supreme citizen, leaned in the final days of his administration more towards the ideals of Hamilton than those of Jefferson; but, nevertheless the fact is the several states remained important units in the government. The union effected for the purposes of the war was very loose, and even the union brought about by the constitution was not interpreted as all-powerful until 1865. From that time until now there has been a steady drift towards centralization of government. The states have become more and more mere geographical subdivisions of the general territory. Police power and the right to regulate suffrage have disappeared from the several state governments and have been transferred to Washington.

It was clearly contemplated in the constitution that the federal government should have great power in times of common peril. Consider in this connection the authority given the chief executive in time of war. No one complains about that. No one would change that power. That power was much the same in the beginning as it is today, but it was never contemplated that in times of peace and in civil matters

the states should cease to function. There are certain functions and activities which must, of course, at all times be exercised by the general government; but it must always be borne in mind that these were powers originally belonging to the state and delegated to the central government for the common good.

But it is equally clear that certain functions can best be performed by the several states. When our constitution was adopted it was generally understood that the division of power between the states and the federal government was clearly defined. It would be useless to review the long controversies with reference to delegated and reserved powers. It is sufficient to say that this is now an indissoluble union; we must make it and keep it, in the language of the great statesman of Massachusetts, Mr. Webster, an indissoluble union of indestructible states.

Now, in theory, I believe in the rights of states, and I hope to see a back-swing of the pendulum that will restore to the states some of the authority that should be and formerly was theirs. I can see many obstacles in the way of applied state rights taken in the extreme sense of the term, but the existence of these obstacles does not compel me to abandon the belief that our country would be more wholesomely governed if there were a greater degree of authority exercised by the subdivisions. To leave all legislation to the subdivisions would, of course, result in chaos. That is out of the question. But to leave all legislative power, except purely local questions, to the general government will result ultimately in bureaucracy. It is easily demonstrable that highly centralized government will get the government embroiled in difficulties not sanctioned by the approval of the majority of the people. Once started there would be no checking it, for public sentiment becomes excited and reason for a season retires. The only safe thing to do in case of a threatened unjustified war, or any other unjustified act, is to prevent it, not deplore the thing in after years, or even attempt to put out the fire after it has caught. No such thing has happened, but it may happen under a centralized government. On the other hand, the various states and their

local governments should be consulted before any extraordinary steps are taken, and the course of the nation thus properly safeguarded.

It may be asked, and it is a pertinent inquiry, as to why the authority of the subdivisions has been on the decline. It may be a little humiliating, but the fact is the fault is with the states, not the federal government. The states have failed in their duty. The abandonment of state rights has come about because of the intellectual lethargy of the states. We have, if you will permit me to use a slang expression, put it up to the federal government, and the federal government has done the natural thing, and now we frequently have a situation in which the government at Washington acts as a kindly-disposed guardian to the states in matters that should be performed by the state governments themselves. There are numerous instances in which the federal government offers to pay dollar for dollar to the states for various kinds of undertakings, such as building roads, protecting the public health and other matters, and our people of the states believe they are getting something by way of gift, overlooking the fact that federal money comes from taxation as well as state money, and in every case the federal government, not the state government, has supervisory control not only of the federal funds, but of the state funds as well; and I need not say to this Conference that the administration at Washington has not been characterized always for its economy in expenditures. A person who must travel from Washington to Maine to investigate a local situation must incur greater expense than one who travels from the capital of the state of Maine to the same community; and today I do not know how many agents and employes of the federal government are travelling all over this country at the public expense to supervise and investigate and inspect purely state activities.

I tell you, my friends, there is more in that than the surrender of authority. It is creating in the state and in the people the idea that we must look to the government at Washington to carry us through our crises. May I say that, in my opinion, if the states in the past fifty years had func-

tioned according to the spirit of the constitution, if we had been taught to depend upon ourselves within the proper sphere, this serious problem that Governor Harding and Governor Bickett referred to yesterday would not be as difficult as it is today, and we would have developed the individuality of the state to a point where we could handle the situation much better than at present.

Why should not a state build its own roads? Why should not a state drain its own swamps, develop its own waterways and care for the health and education of its own people? If the federal government has a surplus in the treasury, it belongs to the states, and it may appropriate to the states to supplement such funds as the states may have. But why should the federal government be unwilling to trust the states in the expenditure of the fund because it happens to come from Washington rather than from Harrisburg? The states are an indispensable and essential part of the Union and why substitute party interest in the welfare of the people within them?

It may be urged by some, I have heard the contention, that the federal government is more efficient in the exercise of certain functions than the state can be. Those who have given any thought to the subject will need no argument to convince them that this is a fallacy. It is urged that in the exercise of the police power, for instance, the federal government is more powerful, and that the average citizen will respect federal authority when he would resist state authority. Those who entertain that view have missed the mark altogether. It may be that a citizen will fear federal authority more than state authority, but fear and respect are quite different. Fear never makes a good citizen; but when the average man feels that he has an equal voice and that his constitutional rights are being safeguarded and the state is functioning, his regard for his government, his love for his country, is strongest.

Now, an indissoluble union of indestructible states is all right, and the idea that our union is and should be an indissoluble union is all right; but I want to repeat again that the states must be indestructible. I want to specify just a

few things, and the first is the suffrage or nineteenth amendment. I want to say to you in all candor that I have not been afraid of the votes of the women. They have as much sense as man; as much patriotism, usually more. I sympathize a great deal with the toast that I heard about by a British statesman who had not altogether consented to the change in his own country. As he raised his glass to drink to the toast of the enfranchisement of women he said, "Here's to woman, now man's equal, formerly his superior." But the point I wish to make is that there are certain state functions and that there are certain things that the state is entitled to do, and not congress or the federal government. The next thing I wish to refer to is the police power. I hope I may say here in the state of Pennsylvania, and this close to New Jersey and New York, that I believe as a state matter in prohibition, and while I would not authorize the sale of intoxicating liquor, I am unwilling to force upon Pennsylvania or upon New Jersey or upon any other state by federal authority or otherwise any law unless the people of that state in the exercise of their sovereign right, desire it, and I am opposed to it because it is not calculated to give us an indissoluble union of indestructible states. If the police power belongs to the state, the state should exercise it and decide.

I believe in individuality. I do not believe in regimented industry. I do not believe in regimented thinking or regimented action, except in times of peril. The constitution made ample provision for times of peril, and sought at the same time to safeguard the individuality of the states. Some one has said that when two men think exactly alike on all subjects they do not think at all; and when we centralize the powers and functions of government in Washington the states do not think at all, and they cease to feel the responsibility which is calculated to develop the highest civilization and the strongest local government. Society becomes less interesting and less fruitful and life less full with each step toward the crushing out of individuality, whether it be in the individual or in the state.

One of South Carolina's former United States senators said on one occasion that it was a man's right, if he saw fit,

to go to the lower regions, provided he did not carry some one else with him. That statement suggests our problem. Why should the federal government be so concerned about the affairs of Massachusetts more than Massachusetts? Is there any reason to think that there is less patriotism in that state than there is in Washington? The states are as jealous of their right to development as the federal government is of theirs to constitutionally maintain authority in this country. We magnify the particular agency with which we are at the moment connected. Many a man, in my opinion, has gone to congress believing one way on this subject, and after a sojourn there for some years in the heart of central government looks with a sort of paternalistic regard on the state from which he came. That is a human trait that has been an enemy to the preservation of our political subdivisions, and it is difficult to say just what ought to be done. To go to one extreme is autocracy, and to swing the other way is chaos. The happy medium, if it can be found, is the goal to be desired. This happy medium I have already quoted, an indissoluble union of indestructible states.

Perhaps the problem I am attempting to discuss in detail is not one to be discussed in detail. It is rather a school of political thought, a philosophy of political life. Just now the proponents of this philosophy are not making themselves heard. The first step to effect the ends implied by my theme is to get the decentralization thinkers out in the open and devise a line of thought and action which ultimately will check the flow of authority to Washington and bring back to the several states that part of it which can be best exercised by the subdivisions. This may be construed as begging the question, but just the same it is the first step towards decentralization. If those of us who believe in the rights of the states as declared by the constitution as it was written and adopted do not make ourselves heard at this time, the next generation will be schooled in the opposing school of thought.

When a state does not do for itself what should be done, the general government should not be censured for taking a

hand. My complaint then is not so much against the government, as I have already said, as it is against the tendency of the states. My idea of the way to decentralize is this: Cause the people of the states to think more about the questions which confront them, give them accurate information, and as a rule they will reach a correct conclusion. A government such as ours more than any other depends upon the knowledge and thinking capacity of its citizens. The state is better qualified to lead its citizens along the right line of good citizenship than the federal government can ever hope to be. Give a man, however, biased history, subtle propaganda, and the like, and he is not to blame if his thinking is wrong. I have discussed with the average man this matter of federal aid appropriations, and they all believe that this "aid" is really in the nature of a gift. They fail to realize that they contribute to the funds from which this aid is paid.

Government rests with the people and ought to be an expression of the people's will. We are drifting toward centralization of government because the people will it, or at least assent to it. We shall drift the other way when the people demand it.

There is today in some sections of this country quite a popular demand for the creation of a new cabinet position to be known as "secretary of education." I think I can see in this movement a tendency of the federal government to assume general control over our educational activities. I am ready to assume that there are those who believe this measure will result in giving the states equal educational facilities; yet they overlook the fact that it is not equal educational facilities that we need, it is equal educational interest and activity. You may have the facilities, but unless you have in your various states the interest and the dynamic force created by public opinion there, you will cease to take advantage of your facilities.

I have heard the argument also that the federal government can better enforce the prohibition law. Well, I have already said that I did not favor the surrender of the police power of the state to the federal government. I am not quite willing—I do not know your experience, but my ob-

servation of the federal officer is that he is no more competent and no more efficient than if he had a commission from the state. But I want to re-emphasize that in this and all remedial legislation the enforcement of the law is not the ultimate aim. It is to create in your state a public opinion which will support the law. Obedience to law will never make a great people, but support of law and respect for constituted authority is the very basis of our law. Our whole idea of government and the basis of our representation in congress is by the states. You divide the states into congressional districts in the whole country. Pennsylvania has a certain number of representatives in the lower house of congress as every other state has. Why should not Pennsylvania decide who shall represent her, and how that person shall be selected? And then the responsibility is here to carry out the purposes of the constitution and to give to each state a proper representation in the general government.

But, gentlemen, I must not consume any more of your time. The safe policy, therefore, in conclusion, is to restore the government of this nation to the government given us by the forefathers, giving to each state that individuality which is contemplated by the constitution; and you will have, in my opinion, the support from the states of the federal government that was contemplated by the constitution. You will have, in my opinion, a friendly rivalry between the states, each feeling secure in the decision of its own peculiar problems, and each desiring to excel the others in the great objective of government. Therefore, I conclude that the problem of decentralization is one of education and one of agitation, and the details will be worked out just as we, the people, desire them to be.

THE CHAIRMAN—We will now hear from Judge Hargest, who, by the way, is the president judge of this county, where all state cases are tried. He will speak on the subject of "The Work of the National Conference on Uniform State Laws."

THE WORK OF THE NATIONAL CONFERENCE OF COMMISSIONERS ON UNIFORM STATE LAWS

JUDGE WILLIAM M. HARGEST

Mr. Chairman and Gentlemen: There is such a lack of information, even among lawyers and judges, of the aims, ideals and accomplishments of the National Conference of Commissioners on Uniform State Laws that that body, at its meeting in St. Louis in August of this year, determined to request of this Conference of Governors the privilege of presenting to you an outline of the work which has been done, and is being done, to secure uniformity in the laws of the various states.

The work of obtaining uniformity in the laws of the states is made much easier when the Governors understand what the Conference of Commissioners on Uniform State Laws is, how it works, and what it has accomplished. The variety of details and multitude of duties which engross the time of a Governor, would ordinarily preclude him from giving attention to the subject of uniformity in the law, unless the matter was especially called to his notice. For that reason, and because the work of this Conference can be brought to the attention of so many Governors at one time, the honor has been conferred upon me, and you have been gracious enough to accord me, an opportunity of presenting this work to you.

NEED FOR UNIFORMITY

Notwithstanding the system of law of all the states, except that of Louisiana, was based upon the Common Law of England, it is not surprising that there arose a wide diversity among the laws of the colonies and the earlier states. Geographic, economic, social and political conditions differed in the various colonies, states and territories. In the time of the stage coach states were very far apart. Communication was infrequent and commerce small. These diversified conditions naturally found expression in the statute law and in the decision of the courts of the colonies and of the early states. The diversity was not serious as long as there was

little business. But, with the coming of the railroads and the consequent development of the country and increase of commerce, this diversity began to present complex problems which became more complex as the states were brought into closer business relations by rapid transit, the telegraph and the telephone. While at one time the mode of living in eastern Pennsylvania and northern Virginia may have been very different, now people in Pennsylvania live very much the same as those in Illinois or even more western states. Commerce has obliterated state lines. Eastern investors have found western outlets for their money and there no longer remains any reason why a note or check or draft given in one state and payable in another should not have the same rights and be subject to the same regulations in both. Therefore we have come to see the necessity for uniformity in state laws.

As long as we maintain our system of government in which domestic concerns are to be regulated by the state, if we are to have uniformity at all we must acquire it by having a similar law passed by each state, rather than surrender state sovereignty to the federal government for the purpose of securing such uniformity.

WHAT THE CONFERENCE IS

Prompted by these motives, more than thirty years ago the American Bar Association appointed a Committee on Uniform State Laws. The outcome of that action was to create, several years later, a separate body which has now come to be known as the National Conference of Commissioners on Uniform State Laws and which held its thirtieth annual meeting this year. The present principal officers of this Conference are Hon. Henry Stockbridge, of the Court of Appeals of Maryland, President; George B. Young, of Vermont, Vice President; Professor Eugene A. Gilmore, of the University of Wisconsin, Secretary and W. O. Hart, of Louisiana, Treasurer.

It is an unique tribunal, legislative in its function, and officially recognized by all the states and by the District of Columbia, Alaska, Porto Rica, Hawaii and the Philippine Islands, representing fifty-three jurisdictions. Commission-

ers numbering from two to five, are appointed from all of these jurisdictions. They constitute a remarkable body of men. Among their numbers are judges of the highest Courts, professors of great prominence in the teaching of the law in the leading law schools, congressmen, state senators, and lawyers of outstanding ability. These men, busy as they otherwise are, give their distinguished services to the work of this Conference without pay, and some times at their own expense, (for there are a few states who make no provision for the expense of their commissioners). The Conference meets at the same place as the American Bar Association and a week in advance of it. The Commissioners devote their time and talents to this work and take great interest in the outcome. There are usually about sixty-five commissioners from about forty jurisdictions in attendance at each annual Conference.

HOW THE CONFERENCE WORKS

The intelligent, painstaking, scientific and conscientious work done by these commissioners is not alone represented by their service in attending the meetings of the Conference as will be apparent when I outline to you how the Conference works.

The object of this Conference is briefly set out in its constitution, to be, "to promote uniformity in state laws on all subjects where uniformity is deemed desirable and practicable."

Many requests are made to the Conference to prepare uniform laws on various subjects in which uniformity is neither practicable nor desirable. Therefore, when any proposition is made to the Conference for the preparation of a uniform law on any subject it is first submitted to a committee on "Scope and Program," which determines whether the subject is one upon which uniformity should be attempted, and many requests for uniformity get no farther than a reference to that Committee.

When it is deemed advisable to have a uniform law on any subject the matter is referred, either to a standing committee or a special committee appointed for the purpose of having

a tentative draft of such an act prepared. In acts of importance such as those relating to Negotiable Instruments, Partnership, Sales and other commercial laws, the committee employs an expert who examines the laws of the various states and the decisions thereon, and who, with the committee, prepares a tentative draft, which is presented to the Conference. It is considered section by section and is then referred back to the committee with such amendments as the Conference has adopted, because no act can be recommended to the states as a uniform law until it has been considered by the Conference at two meetings. Many acts have occupied most of the time of the Conference for several consecutive sessions. As an illustration, the Conference at its session in St. Louis, this year, referred back to the committee the seventh tentative draft of a Uniform Incorporation Act, and after some further amendment, recommended the fifth draft of an Act relating to Occupational Diseases. Most of the important laws come before the Conference three or four times before they reach a degree of perfection which will satisfy that body. After an Act of Assembly has been subjected to the scrutiny of the able men who compose the Conference, it cannot be recommended for adoption unless it is approved by a vote of the Commissioners, voting by states, and receives the affirmative vote of the majority of the states voting and, in no case, unless it receives the affirmative vote of at least fifteen states.

It is not surprising, therefore, that when an act is recommended by this body it is about as nearly as perfect as human language and intellect can make it.

In addition to recommending laws which it has prepared, the Conference has approved laws drafted by other organizations, such as "An act Regulating Annulment of Marriage and Divorce" prepared by the National Divorce Congress in 1906 and approved by this Conference in 1907; the Federal Pure Food Law of 1909 and its amendment of 1913 and Standard Bills for Occupational Disease Reports and Industrial Accident Reports, to prevent the duplication and making of different reports to various departments of National and State Governments.

For many years after the National Conference of Commissioners on Uniform State Laws was formed it devoted its time exclusively to efforts to make uniform the existing laws of the several states. That is to the preparation of uniform laws upon subjects concerning which the laws of the various states were already divergent and various, and concerning which uniformity was desirable. It did not suggest uniform laws upon new subjects. But in recent years our evolution has been marked; the changing times have developed so many situations which require new laws, and new systems of law with varying provisions, have been adopted in many of the states. I refer particularly to such systems as Workmen's Compensation Laws.

A few years ago such a thing as the Workmen's Compensation Law was unheard of. Now the state which does not have such a law is an exception. Before the National Conference of Commissioners, operating in its prudent and cautious way, could recommend what it thought a model law on the subject many of the states had already adopted one. So that the Conference of Commissioners, because the times are fast requiring new laws or laws on new subjects have receded from the original rule formerly adhered to, in attempting uniformity only in those domains of law in which there was already an existing diversity, and have, in several instances, considered it wise to recommend to the states a model law so as to to secure, in the first instance, uniformity upon a particular subject.

To illustrate:—

The Kansas statute relating to industrial disputes has awakened much interest in this country and industrial disputes themselves have recently created so much trouble that when such disputes led to a strike among police officers sworn to obey the law and preserve the peace the occasion for regulation of them by law was agitated. The National Conference of Commissioners on Uniform State Laws, at its session this year, appointed a committee to consider whether it is practicable to recommend a uniform law upon this subject.

There are two other instances, to which I may call your attention, in which the Conference is somewhat ahead of the times, in an endeavor to obtain uniformity before diversity arises. One is the recommendation of a uniform law upon the subject of declaratory judgments. Such a law is intended to provide that a party interested under a will, contract or written instrument or a party whose rights are affected by a statute, municipal ordinance or franchise, may come into Court and have his rights determined before there has been any breach of the contract or litigation begun. Two or three states have such laws and England has been operating under such a statute for some years. The other instance is a uniform law regulating Occupation Diseases. The National Conference has framed a uniform law on this subject.

Already there is discussion concerning the rights and duties of air craft and laws on this subject will become necessary as transportation by such means increases. The right to recover damages for landing in unauthorized places, and flying too low will have to be defined; flying over crowds regulated or prevented, and there may be many other phases for interstate regulation of this new enterprise. Whether it is feasible to recommend a uniform law, so early in the development of the matter, and thus prevent in the first instance any diversity of law on this subject has already been discussed among members of the Conference but no action taken.

In framing these uniform laws the conference itself undertakes to be uniform. It has suggested certain rules as to the title, the numbering of sections, the length of sections, the placing of definitions, the tense of language and other matters, so as to obtain uniformity in drafting as well as uniformity of construction and interpretation.

When a uniform act is recommended to the various states for adoption, the work of the Conference does not end. A statute cannot be uniform, even though it is adopted in the same form in the separate states, if the Courts of the states interpret it differently. The Conference, several years ago discovered that the uniformity which it was earnestly

striving to bring about, was being seriously affected by a diversity in the decisions of the Courts upon the same provisions of uniform statutes. A number of the Courts were deciding cases without any effort to ascertain whether the same language of the same statute had been previously passed upon. The Conference, therefore, appointed a committee on Uniformity of Judicial Decisions which, under the Chairmanship of Honorable Henry Stockbridge, of the Court of Appeals of Maryland, has made remarkable progress in collecting the decisions of the Courts upon every law and securing the co-operation of the Courts in bringing about uniformity of interpretation.

Still more progress has been made along that line by the publication, this year, of a book on Uniform State Laws prepared by Charles Thaddeus Terry of New York City, who was for three years President of the National Conference of Commissioners, a commissioner since 1904, and is Dwight Professor of Law in Columbia University. This book contains all of the uniform laws heretofore prepared with all of the decisions upon every section of every law, and will be kept up to date, in the future. So that, henceforth there is little excuse for any Court to differ from the Courts of other states and thus create divergent interpretations. In furthering the uniformity of decisions the National Conference of Commissioners now insert a section in every law which reads as follows:—

“This act shall be so interpreted and construed as to affect its general purpose to make uniform the laws of those states which enact it.”

This language is an invitation to, and makes it the duty of, the Court to ascertain how the Courts of the other states which have passed the same law have interpreted it and, in effect, imposes “the majority rule,” upon the Courts in passing upon uniform state laws.

Some of the Courts themselves have recognized the value of uniform interpretation. In a case in New York State the Court said: “The desirability of uniformity in the laws of various states with reference to negotiable instruments is so obvious, and the legislative intent to harmonize our here-

tofore conflicting decisions with those of other jurisdictions is to my mind, so clearly expressed, that full effect should be given thereto."

So that the Commissioners on Uniform State Laws feel that great progress will be made in the future, not only in the adoption of laws looking to uniformity, but also in securing a uniform interpretation and construction of those laws.

WHAT THE CONFERENCE HAS ACCOMPLISHED

In the thirty years of its existence the Conference has recommended a number of laws. No single law has been adopted in every one of the fifty-three jurisdictions but there is no jurisdiction which has not adopted a single one of the laws proposed. The Negotiable Instrument Law recommended in 1896, has been adopted in every jurisdiction except, Georgia and Porto Rica. The Warehouse Receipts Act, recommended in 1906, has been adopted in forty-five jurisdictions. The Sales Act, recommended in 1906, and the Bills of Lading Act, recommended in 1909, have been adopted in twenty-three jurisdictions. The Stock Transfer Act, recommended in 1909, has been adopted in fourteen jurisdictions. The Family Desertion Act, recommended in 1910, has been adopted in twelve jurisdictions and the Partnership Act, recommended in 1914, has been adopted in eleven jurisdictions. The Limited Partnership Act, although recommended in 1916, has been adopted in ten jurisdictions. The Act for the Extradition of Persons of Unsound Mind, recommended in 1916, has been adopted in seven jurisdictions. The Fraudulent Conveyance Act, recommended in 1918, was adopted in 1919 by nine states and Conditional Sales Act, recommended at the same time, was adopted in 1919 by six states.

The uniform Divorce Law, although recommended in 1907, has been adopted only in three states. The act relating to Marriage and Marriage Licenses, recommended in 1911, was adopted in two states and the "Act Relating to Marriage in Another State or another Jurisdiction, in Evasion or Violation of the Laws of the State of Domicile," recommended in 1912, has been adopted in only five states.

There are other laws to which reference is hardly necessary, but it will be readily seen, from the number of jurisdictions which have adopted the proposed laws, that the desire for uniformity extends to laws regulating commercial and business affairs and does not seem to extend to those which regulate social and family matters.

It is difficult to sectionally divide the country, so as to show how the states have looked upon the various acts approved by the Conference, except to say that the acts of the Conference have not found as much favor in the extreme southern states, with the exception of Louisiana. Arizona and Mississippi have adopted five and other southern border states a less number. Wisconsin leads in the number of acts recommended by the Conference, having adopted seventeen; Maryland has adopted thirteen; Massachusetts, twelve; Illinois and Tennessee, eleven; Alaska and Louisiana, ten; Michigan, nine; New Jersey and Utah, eight; Idaho, Nevada and Pennsylvania, seven. In this state the legislature has confined its approval to what may be called the commercial laws.

While the National Conference of Commissioners on Uniform State Laws is a body, official in its character, consisting of Commissioners officially recognized and appointed, and the American Bar Association is an organization personal in its character, in that it is a voluntary association of individuals, yet the American Bar Association has given its influence to furthering the cause of uniformity in law and the work of our Conference. It maintains a committee on that subject, the chairman of which is generally the president of the National Conference of Commissioners on Uniform State Laws and it has adopted the National Conference of Commissioners as a bureau of its own activities. This has, to some extent, prevented the work of the National Conference of Commissioners from becoming better known and its official character more widely recognized. The public generally, and many lawyers also, throughout the country have regarded the National Conference of Commissioners as a part of the American Bar Association.

The National Conference of Commissioners desires its work to be fully understood, and when understood, and

when the legislatures and governors of the various states recognize the care and skill employed in the preparation of the various acts which it recommends, we feel that the way will be made much easier for the adoption of many of the recommended laws in the various states and that the cause of uniformity will be greatly advanced. It is for this reason that the conference sought an opportunity to have a representative address you. For the National Conference of Commissioners on Uniform State Laws as well as for myself, permit me to thank you for generously according me a place on your program.

GOVERNOR SPROUL—Mr. Chairman, I would like to announce that luncheon will be served here in the room at the right of the senate chamber, so that there may be no loss of time, and we can go on with the program; and so that the gentlemen will not be uneasy about their better halves, I will say that they will be very well taken care of in town, and that it will not be necessary to join them or look after them.

THE CHAIRMAN—We have two papers yet. We will postpone consideration of them until after recess. The hour of recess having arrived, I hear no objection, and the Conference will take a recess until 2:30 P. M.

Whereupon, the Conference took a recess until 2:30 o'clock P. M.

THURSDAY, DECEMBER 2.

AFTERNOON SESSION.

The Conference re-convened at 2:30 o'clock P. M., Governor Calvin Coolidge of Massachusetts in the chair.

THE CHAIRMAN—The Conference will be in order.

The next subject to come before the Conference is a paper by Governor Alfred E. Smith of New York on "Housing Problems and Ways of Promoting Home Ownership," which will be read by Hon. Edward F. Boyle of New York.

HOUSING PROBLEMS AND WAYS OF PROMOTING HOME OWNERSHIP

GOVERNOR ALFRED E. SMITH of New York

Mr. Chairman and Gentlemen: Symptomatic of the fundamental housing problem and so marked as at last to have attracted the attention of the whole world is the excessive rental cost of housing in centers of population, which has been driven to the point of profiteering. In approaching the problem it is easiest to believe that a cure of profiteering in rentals will bring about readjustment of the housing problem, and that therefore homes will immediately be found for everybody and at rentals which they can afford to pay. This is such a common error that it is not at all extraordinary that in the early stages even the Federal Government approached the question from this angle by attempting to enact rent laws in the District of Columbia, expecting that these would put a sufficient number of housing accommodations in Washington at the disposal of a greatly increased population.

The situation in New York City is of vital interest to the whole country because what is happening and what has happened in the metropolis on a large scale is taking place in a lesser degree and more slowly in every city or town throughout the country. Nowhere is private initiative filling the demand for houses. In New York, because of the scale of the problem, it is easier than elsewhere to measure the inadequacy of the effort to meet the present situation by our

former method of supplying homes. It is apparent and will become more and more apparent in the other cities of the country that government action alone can prevent serious trouble.

At the beginning of my term of office, it was apparent to me that housing would claim a great part of the attention of the public. The shortage due to lack of building during the war was just becoming manifest and was evidenced by the increase of rentals. Immediately upon assuming office, I appointed a Reconstruction Commission, composed of men and women who were experts in their various lines and to them I entrusted the study of the general policies of readjustment and reorganization that I believed were necessary to guide the State during the period of reconstruction. I charged them especially with making a careful study of the housing conditions of the State. I asked them "to make every endeavor to secure the fullest information, and after carefully studying it to recommend either legislative or executive action." I stated that I was particularly anxious that the Commission "find a solution of our housing difficulties that looks to the future and that a program may be initiated that will make for the permanent welfare of the State."

Housing being a social problem, whose pressure is felt by rich and poor alike, there proved to be great readiness to seek remedies and after the reconstruction Commission had appointed a Housing Committee and they were well on their way in the study of the existing conditions, the Legislature feeling the pressure, appointed a Joint Legislative Committee on Housing and Ice, which also was charged with the duty of studying high rentals and housing conditions.

The Committee on Housing of the Reconstruction Commission immediately associated with itself two advisory committees, one for New York City and one to consider upstate problems. The members of these advisory committees were chosen from the various fields of activity having to do with the creation of housing facilities. They were chosen because they represented finance, building, archi-

ture, city planning, tax experts, building loan associations, social organizations and others having a community interest in the problem.

Thoroughly organized with these advisory committees, the Commission undertook an immediate examination of all phases of the situation. They made a study of land values in relation to housing, cooperative housing, municipal housing enterprises, taxes and assessments, money (which they considered from the point of view of its source of supply), building and loan associations and other types of loaning institutions, city planning, costs of construction, large scale planning, building loans and the effect of restrictive legislation and management.

The Committee made a thorough survey of existing conditions; questionnaires were sent out to cities and towns throughout the State. In New York City where conditions were most acute, a detailed house to house survey was made of thirty square blocks containing a population of about 50,000 persons. This block survey was intended to compare rental increases with actual living conditions and also to determine whether the worst type of building construction was capable of salvaging, since new construction was most costly. This survey necessarily dealt also with the social aspects of housing.

During the summer of 1919, it was necessary for me to call a special session of the Legislature in order to ratify the suffrage amendment and since no action, looking toward a remedy for the housing situation, had been taken at the regular session of the Legislature in that year, and it being apparent that the crux of the situation lay in the acute shortage of houses, a group of those interested in the solution of the question suggested the enactment of four statutes, that were presumably capable of immediately remedying the housing situation as it existed at that time. One of these liberalized the Savings Bank Law and empowered savings banks to loan a larger percentage of money on buildings in the course of construction. The second and third related to proceedings against tenants, who were holding over beyond the period of termination. The fourth made a

change in the Tenement House Law and approved the alteration of a certain class of houses. We were assured that this would make possible accommodations for 20,000 families. This particular change in the laws brought no relief as no operations were undertaken under its provisions.

In the meanwhile the housing shortage which was most acute in the largest centres of population began to spread to the smaller cities of the State and attempts were made by some of the communities to solve them by means of the organization of housing corporations made up of the business men and manufacturers in the town, either for the purpose of making loans to workers desiring to build houses or for the purpose of constructing groups of houses to be sold to workers.

At the suggestion of the Reconstruction Commission, the Joint Legislative Committee devoted some time and study to the consideration of the effect of the high costs of building materials on construction and the reason for these high costs.

In March, 1920, the Reconstruction Commission filed its report on Housing with me.

In the meantime the Joint Legislative Committee on Housing had conducted its examination along the lines of increased rentals and their recommendations for legislation confined themselves to applying remedies to these conditions. They acted on the assumption that an emergency existed and applied their legislative remedies with that idea in mind. At the regular session of 1920, the following statutes were enacted:—

An act, making it a defense in an action for rent, that such rent is unjust and unreasonable and that the agreement under which the same is sought to be recovered is oppressive.

An act giving the court discretionary power to stay the issuance of a warrant of dispossession not longer than twelve months, in a proceeding to dispossess a tenant upon the ground that the tenant is holding over after the expiration of his term.

An act abolishing the right to bring summary proceedings to dispossess a tenant unless the petitioner alleged and proved

that the rent of the premises was no greater than the amount paid by the tenant for the month preceding the default, or has not been increased more than 25% over the rent as it existed one year prior to the time of the presentation of the petition.

An act restoring the oral lease and providing that where an agreement for occupancy of real estate in the city of New York does not specify the duration of the occupancy it shall continue until October 1st next after possession commences, and an act making it a misdemeanor for a landlord, who, although required by the terms of his lease, wilfully or intentionally fails to furnish water, heat, light, power, elevator or telephone service.

The Reconstruction Commission had pointed out in its report and by this time it had become apparent to all that legislation does not build houses and that the fundamental cause of the whole difficulty was that there were not enough houses for the population. Figures showed that there were actually less houses in New York than in the year previous, although a larger number of tenements that had hitherto been unused because of wretched conditions were put to use and although the population continued to increase in normal ratio. The Reconstruction Commission viewed the remedies for the situation entirely from the angle of creating a permanent housing policy for the State but the Reconstruction Commission also called attention to the fact that without fundamental changes in our methods of supplying houses it would be impossible to secure a sufficient supply of homes for the workers of the State. They stated in their report—"It is economically unprofitable now, it has been economically impossible for many years to provide a large part of the population of this State with decent homes according to American standards of living. Decent homes and wholesome environments in which to bring up children cost more than most workers can afford. It is impossible to supply the population of this State with decent homes, unless the cost of living be reduced."

As a result of their study, a majority of the members of the Commission made the following recommendations:—

1. That a law be enacted requiring the appointment of local housing boards in communities having a population over 10,000 the members of such boards preferably to serve without pay, and for the appointment of a central State housing agency for coordinating local effort. The function of the central and local boards shall be—

Aiding each locality in meeting the immediate pressing need for sufficient homes.

Collection and distribution of information relating to housing and community planning.

Assisting in the preparation of housing laws, zoning ordinances, state wide regulatory or restrictive housing and building codes, etc.

Study of the means of lowering the cost of housing through better planning in the construction of homes and through their proper location.

Development of a means for using State credits to apply to housing at low rates of interest without loss to the State. To set the standards for the use of such credits and to fix limitations upon the return of money borrowed from the State for housing purposes. To assist in the most practical manner possible in the erection of adequate homes in wholesome environments for workers at a rental cost dependent on the actual cost of land and building.

2. The enactment of a Constitutional Amendment permitting extension of State credit on a large scale and at low rates to aid in the construction of moderate priced homes. This does not mean that the State itself shall build such homes. It does not mean that the State is to own or operate houses. It does not mean that the State is to offer subsidy for the construction of homes. It *does* mean that the State shall be enabled to loan money on its credit to limited dividend corporations or to individuals or to organizations, to build houses of such standards, as to light and air as the State or community may determine to be desirable, the rentals of such houses to be controlled.

There are many methods by which State credit might be made available. It should be one of the first duties of the

Housing Bureau and the local boards to make a thorough study of this matter.

3. Passage of an enabling act permitting cities to acquire and hold, or let, adjoining vacant lands, and if necessary to carry on housing. This legislation should be such as to permit conservation of the increment of land values for the benefit of the community creating it.

The Legislature passed none of these constructive recommendations, gave them no study whatever and permitted the situation to go on, developing an even more acute crisis. The Joint Legislative Committee was continued and both that committee and the Reconstruction Commission made further studies of the situation.

May 1st and October 1st are the two great periods in the year in New York when leases terminate. The May 1st period was partially tided over by the legislation passed at the 1920 session of the Legislature on recommendation of the Joint Legislative Committee, but it was soon apparent that this was utterly insufficient to meet the crisis of the principal moving day, which was October 1st and there were pending in the Municipal Courts of New York City over 100,000 dispossess cases that would have to be argued on or about that date.

To meet this threatened emergency, I called the Legislature in extraordinary session on September 20, 1920 and in my message to the Legislature at that time I stated that the experience of several months had revealed to us the weaknesses of the temporary expedients and had made more acute the necessity for encouragement of building operations so far as it could be done by law and made more apparent the necessity for the creation of State agencies for future use, and I therefore asked the Legislature to deal with three phases of the subject:—*First*: the strengthening of the temporary statutes enacted at the regular session to meet the emergency. *Second*: to attempt to stimulate building construction. *Third*: to establish at once agencies in the State that would provide a permanent and constantly developing housing policy.

I had in mind the distinct belief that no restrictive legislation, properly drafted would have any disastrous effect

on honest landlords. It has been my experience that only those who seek to live outside the moral law have any great fear of legislation. A state has a conscience and will regulate fairly.

In our State, landlords had been given the special privilege of summary proceedings in order to regain immediate possession of their premises. This privilege does not belong to any landlord as a matter of inherent right. Inasmuch as the evidence laid before us indicated that summary proceedings were being grievously abused, in a crisis of this kind, the State does only its duty when it withdraws or modifies them.

There was an abundance of evidence that undesirability or failure to pay rent was not in the majority of instances the basis of the application for the writ of summary removal, but on the other hand, it was the operation of the profiteer who would remove the desirable and paying tenant in order to create a vacancy which might thereafter be offered to the highest bidder. As a result of this families had been shifted from place to place without rhyme or reason and the unscrupulous and selfish had profited immensely by it. October first was to have been the height of the harvest.

I believed the emergency to be such that I recommended that the strong arm of the State should reach through its courts and protect the people at least until the crisis should have passed or the situation be relieved. I suggested that the courts be empowered where it is evident that the dispossess is requested for the purpose of unreasonable rent-raising to suspend the remedy for an adequate period.

For the stimulation of building construction, I suggested the amendment of our taxation laws. While I do not, as a matter of policy, favor tax exemptions, the emergency was such that it appeared to be advisable to consider the enactment of a law exempting from taxation for a period of years, with proper restrictions, buildings used for dwelling purposes whose construction would be undertaken within such a period as would assure an immediate increase in housing accommodations. I believed that this would aid in putting new construction on a fair competitive basis with buildings

erected before the war and would assist in creating a market for new buildings.

Loaning institutions apparently have not kept in step with the times and have spent their energy in securing investments bringing a larger return than real estate mortgages. For instance, our Savings Banks and Mutual Insurance Companies are organized not for profit but as depositaries for the people's money, and it would be entirely in keeping with their purpose if their funds were made available to a greater extent to meet the people's needs, by investing a larger portion of them in bond and mortgage.

In 1914, there was created by statute a State Land Bank having for its purpose assistance to building and loan associations. Inasmuch as the proceeds from the sale of the bonds of the Land Bank are used for the building of homes, it seemed advisable that the State should do everything possible to make the bonds a more desirable purchase. We had already exempted them from the provisions of the State Income Tax but the abnormal yield from other securities is such as to make them an undesirable investment. I suggested that it might be well that the State use its moneys or a portion thereof now in the various sinking funds of the State to purchase these bonds, and that it might also enable municipalities of the States to invest in such bonds.

These recommendations were made in the hope that the legislation which they suggested would bring voluntary capital into the building market. I called the attention of the Legislature to the fact that if the present condition were not thus relieved and the health of the community continued to be menaced, then we would have a grave public emergency to meet such as would confront us in a time of epidemic or of catastrophe. I suggested that the Police power of the State, clothed with the proper safeguards, should be extended to municipalities in order that they might be enabled either to build or lend their credit to the building of houses.

I stated that undoubtedly the State as well as the municipalities should be in a position to extend its credit either through the medium of the State Land Bank or a specially created agency.

Again I called the attention of the Legislature to the fact that it had been brought to my attention that the high cost of building materials was artificially stimulated, and I suggested that the Joint Legislative Committee be given increased powers to carry on further investigation of this situation.

In urging a housing policy for the State I called the attention of the Legislature again to the fact that building houses for some groups in the population has become an unprofitable business. Hence, these groups have for a generation lived in the left-over housing, or in the cheapest and most poorly-planned type of home that a grudging and unrealizing community would provide. As a result of the present emergency, a still larger portion of our population is being forced back into houses of a standard below that which we have accepted as decent American homes.

I pointed out to the Legislature that except for the report of the Reconstruction Commission and the findings of the Joint Legislative Committee, we have been aided by no State agency in the consideration of this very important problem. In the enactment of labor laws, we are guided by the Industrial Commission. In the enactment of health measures, by the State Health Departments. In matters affecting the conservation of our natural resources, by the Conservation Commission. The Banking Department, the Insurance Department, and other State agencies all deal with special subjects that need executive or legislative action. But in housing, dealing with the elementary need of shelter and establishing homes, there is no State or local agency to aid the legislative and executive branches of the Government either in meeting an emergency, or what is more important, in helping to establish a permanent housing policy for the State. Such a policy does not necessarily mean the building of houses by the State, but it does mean the establishment of housing standards and of local development that should underlie any future growth of the cities of a state.

To this end I recommended for New York State a law which will create in each community having a population of

over ten thousand a local housing board, which shall be charged with the duty of finding a solution for the local housing situation. These local boards should be required to prepare within a period to be determined by the local authorities a plan for the future development of the city and should consider local housing ordinances. A State agency should be created and the local boards should be required to report to it at stated intervals so that there may be available at all times a body of information applicable to this subject.

The State agency, on the other hand, should first of all be directed to report to the next Legislature on a method for the development of a system of State credits for housing purposes. Through the State agency informatino should be made available to local communities that should aid them in their housing program.

Even at the extraordinary sesesion the Legislature enacted only emergency relief measures. In acting on my recommendations that something be done to stimulate building construction, a permissive statute was passed, allowing local communities to exempt from taxation new construction. The net result of this has been that only one community—New York City—has made any attempt to pass a tax exemption ordinance and although two months have passed since the legislation was enacted no act is as yet on the statute books, and new construction is as far as ever from being undertaken.

The Joint Legislative Committee with its increased powers has gone forward with its investigation of the high cost of building materials and an examination of the unlawful conditions in the industry with the sensational results which are common knowledge to readers of the metropolitan dailies.

It seems however that proper housing is recognized as a social and health necessity by other countries. The Canadian Government is lending twenty-five million dollars to the provinces for the building of homes. In England, where housing has become a function of the Ministry of Health not only is the government making colossal loans to local authorities and to public service corporations (limited dividend

companies)—but it is offering subsidies of as much as one quarter the cost of houses to make up for the loss involved in building at a time of excessive costs—Britain knows that its welfare depends on having sufficient decent homes—and it means to have them no matter what they cost. England is not only planning new homes—it is planning new towns. France also is doing constructive work. Paris has bought a large tract of ground on the outskirts of the city on which is to be built a garden suburb. The policy of Australia that has been in operation for some years, of stimulating house building and ownership by loans on easy and long terms, has been greatly extended to aid returning soldiers. And so we find in every civilized country the government has accepted its responsibility even in a greater degree than before the war of solving the most difficult problem that confronts its citizens, that of finding a home. In America our housing laws have been negative laws—restrictive laws. But in the light of the present emergency we see that the State here, as elsewhere, must offer a helping hand—must find a constructive solution if we are to have homes.

It is time that this country made adequate provision to meet the problem. I do not believe that federal legislation alone would meet the situation. The whole problem is too colossal to be solved by a single bureau at Washington. Our State governments are in a different position than the national government in meeting the housing problem. The political problem is lessened in degree. The number of geographical interests to be served are much smaller. But, above all, in State legislation there is the opportunity to try out various methods of building, aiding and financing housing. There are innumerable suggestions in the experiences of Canada, South America and Australia, as well as European countries. Some will fit the local conditions and habits of one part of the country and some another. American ingenuity will find new means of meeting this problem. The solution of the housing problem of a comparatively newly settled agricultural state will be different from that of New York with its great cities. Some states may use their insurance funds, others their farmers' banks, as sources for

building loans. Ultimately all these experiments may be used by the National Government as the basis for the organization of a great central bureau. But that will be a problem of the distant future. In the same manner that the States have tried out women suffrage, minimum wage compensation and child-labor laws, so now they should undertake experimentation and careful study of their local housing conditions. We may have failures on the part of individual states through choice of means that do not meet the social conditions of the state. But how insignificant such failure would be and how easily remedied as compared to a failure on the part of a Federal housing administration.

It would be manifestly impossible to fill all the needs for housing everywhere. It does not seem to me that this is the time to create a national housing fund of any kind. It seems clear to me that the individual states should themselves work out systems of state credits for state purposes. Out of intelligent attempts to solve the question on this small scale, we can evolve a national housing policy.

With the control centered in each state, people will be in more direct and more democratic control of their housing funds and their application to local conditions. I am therefore not an advocate at this time of a Federal system of housing loans, although a central housing bureau for the coordination of all available material is desirable and even necessary, but this is something quite distinct from creating a national housing fund.

No problem of reconstruction has such far reaching implications as this problem of housing. Shall this country remain in the dark ages of inadequate and un-American housing, endangering the health and morals of future generations of our citizenship? Or shall we go forward with the times, and enter the new era of our democracy with an enlightened interest in the fundamental needs of our cities and our citizenship for well-planned communities that serve the industrial, commercial and social needs of the people and homes that make for a stabilized, self-respecting, wholesome family life?

THE CHAIRMAN—The Chair recognizes Hon. Abraham Kaplan, senator from the state of New York.

HON. ABRAHAM KAPLAN of New York—Mr. Chairman and members of the Governors' Conference: I am very happy for the privilege of being here this afternoon as a member of the Lockwood Investigating Committee of the state of New York for two reasons: first, because I deem it a privilege to be allowed to address this gathering of Governors on so important a topic as housing; and second, because I have the honor with Judge Boyle of representing the able Governor of New York, Alfred E. Smith.

I do not know how many of you Governors were acquainted, or are acquainted, with conditions with which the city and state of New York were suffering shortly before the Lockwood Committee was appointed a year and a half ago, or how many of you know that the Lockwood Committee itself has in the year and a half of its existence listened to about ten thousand pages of testimony, a great part of which was wrung from the lips of unwilling witnesses.

In those days a year and a half ago we were suddenly confronted with a condition of congestion; the hotels were very much overcrowded. Everybody down south and everybody out west was coming into the city of New York to occupy the hotels at that time, so that the people resident in the city of New York were kept out of the hotels. Construction was at a standstill, landlords found themselves suddenly in the possession of a commodity short in supply and great in demand, and some of them took advantage of the situation. Rentals started to increase, they doubled, they trebled, poor people had no place to live; they were in a dilemma with two horns, one of which meant paying an exorbitant rental to some landlord practicing rent profiteering, and the other meant taking one's family into the streets and attempting to maintain it homeless.

It was with that condition staring the city in the face that the legislature appointed the Lockwood Committee a year and a half ago to investigate. Now, it didn't take that committee a long while at all to come to one conclusion, and that was that rent profiteering was being practiced in the

city of New York very extensively. We found conditions like this, for instance, that while the expense of maintaining rented buildings had gone up, say, ten, fifteen or twenty per cent in the course of a year or two, that while, for instance in a particular case the expense had run from twenty thousand a year to twenty-five thousand, that a particular landlord had multiplied the rental income from that building until he raised it from fifty-five thousand dollars to one hundred and forty-five thousand dollars. In other words, based upon an increased expense of approximately five or six thousand dollars, it was not anything at all in the early experience of the committee to find that rentals had gone way, way beyond a hundred thousand dollars in increase. Shortly after the Committee organized the landlords held a meeting at the hotel while the committee was in session, and the New York papers the next morning said one of them rose and stated very frankly that they were in possession of the buildings and they could do anything they pleased, that they were not a monopoly, that they were not violating the law, and that the legislature of the state of New York could go to a very warm climate so far as they were concerned.

That was the situation that confronted that committee. We came to the conclusion that we could not remedy the situation without new buildings, at least permanently, and that three elements were essential to construction, namely, labor, material and money. We found labor willing, material exorbitant in price, and found money diverted from the real estate field into investments in bonds in Wall street, if you please, selling below par, and we found that in at least one instance the president of a major life insurance company in the city of New York was also a member of the board of directors of thirty-odd other institutions and corporations, in each one of which the particular life insurance company had bought and owned bonds purchased with money invested by the people of the city, and money, that had been diverted from the real estate field, the income from which was probably higher than the income from that same fund if invested in real estate, even with rentals at the high standard at which they were at that particular time.

That was the condition. The committee came to the general conclusion, first, that it could not possibly expect to quickly remedy the situation permanently, and that in the meantime it would have to take care of the condition which then presented itself; and so we went back to the legislature and reported, and our first report might possibly sound radical, I know it did to a great many landlords in the city and in the state of New York. We proposed a law which would make rent profiteering a defense in an action for rent or in an action to eject a tenant by way of summary proceeding; and when we held a public session in Albany on that bill, two or three days before Governor Allen talked to us about the Industrial Court of Kansas, we found the landlords taking a very peculiar attitude. They had changed their theory that the legislature of the state of New York could go to a very warm climate, and they came in and said, "You can pass that bill, it doesn't mean anything to us; it will not mean a thing, because in the first place the bill is clearly unconstitutional, and even if you assume its constitutionality, it will not mean anything, because all we have to do is to wait until the tenant's term expires, and then we will institute dispossess proceedings. Under that form of proceeding we will get rid of him, and when the new tenant comes into possession you can not prohibit us from charging anything we desire." When we discovered that attitude we added to that report a proposal of another law, giving the courts in the state of New York jurisdiction to permit a tenant to remain in possession of his apartment even after the expiration of his term at a fair and reasonable rental, if he could show that he had gone into the neighborhood and could not get accommodations at a fair and reasonable rental to be determined by a fair judicial tribunal, with the assistance of a jury. When we came back with that suggestion in the report they said, "It will never work, because, if you attempt to do that with us, we will drive them out of possession, we will not give them any heat, we will not give them any light, we will not give them any power, we will cut off their telephone service, and you can't do anything to us." And so in answer to that threat, we added still more to our

report in which we suggested that the legislature pass a bill making it a misdemeanor for a landlord willfully and intentionally to cut off the service that the tenant was theretofore accorded in order, if possible, to get rid of him.

Now, that was the general program as outlined in the first report of the committee. It went to the legislature, and, as I remember it, was opposed by one dissenting vote. The bills were signed by the Governor in March, 1920, and have operated effectively since; and before I say anything about the manner in which those laws worked out up to the point of the extraordinary session of the legislature in September, 1920, I want to say a few words about the constitutionality of the measure, that made rent profiteering a defense in an action for rent, or in an action to eject a tenant summarily, and relegated the landlord to a position in which he could recover only the fair and reasonable value of his premises as determined by a jury.

They attacked that law in New York and alleged that it was in violation of both the constitutions of the state and nation. The law has been upheld by our state courts. I know that the effort has been made in some of the states of the Union to pass a similar bill. I had the pleasure myself of appearing before the state senate of New Jersey on a similar measure. In that state, and I suppose in others, that bill has been attacked as unconstitutional; and I want to say that the theory of the committee, supported by the courts of the state of New York, was just this: we felt that there was a great common-law principle that no contract was a true contract without mutuality of consent. That duress rendered a contract voidable at least. We felt that the landlords of the city and state of New York had found themselves incontrol of a natural monopoly, if you please; that tenants in the congested districts had found themselves in a position where either they had to consent to pay exorbitant rentals, or move into the streets and then when a landlord took advantage of that situation by exacting from the tenant an exorbitant rental either by way of a written lease or oral understanding it was out of keeping with what he was fairly entitled to as a result of his investment in that

property; that such an agreement resulted from indirect duress practiced upon the tenant or tenants in question, and that the courts had the power with the assistance of the legislature to declare that kind of a contract absolutely of no force and effect.

Then we had another bill which supplemented that, and it was this: that way back in 1831 or 1832 the legislature of the state of New York, and I suppose legislatures of the various other states of the Union, had passed a so-called summary procedure act, which gave the landlord the right summarily to dispossess a tenant. We contended that that legislation created no inalienable right. It was legislation which gave the landlord a privilege not enjoyed by any other party under any other kind of a contract. We contended that the legislature had the power to repeal that law and to say to the landlord, "If you want to dispossess a tenant you will have to do it by way of ejectment proceedings in the supreme court, but you will have to wait your turn," which in our state would make it necessary for a landlord to wait a year and a half perhaps before getting an opportunity of coming to trial. We felt that we might limit that remedy in any way we saw fit; and we contended that as long as that remedy was a privilege and not a right we had the power to say to the landlord, "If you desire to come into one of our courts to take advantage of this remedy, you must come with clean hands, you must show you are clear from the practice of rent profiteering, you must prove that you are conducting a fair, just and honorable enterprise and business." And so we contended, and the courts have supported our contention.

So much for the constitutional arguments that the committee presented in support of the measures passed by the legislature and which have since been upheld by the courts. The tenants of the city of New York as congested as the city is, soon learned that these laws were in existence, and that a notice in dispossession was of no more weight than an invitation to a tea party, and of no more substance, because all the tenant had to do was to take the notice to the mayor of the city of New York, who appointed a special deputy corporation

counsel in each one of the courts. All he had to do was to bring the notice to the deputy corporation counsel, who set up the defense provided for by statute, and the matter was referred to the court, placed on the calender of the court, and in due time the matter came to trial. He had the right of the selection of a jury, and that jury to determine whether in the particular proceeding, if it were a dispossession proceeding, the landlord was guilty of rent profiteering, depending always on his investment and expense of maintainnig that particular building; and if the jury found him so guilty, the landlord was entitled to recover only the fair and reasonable rental value of the premises. The question was determined by a jury selected by both parties to the controversy.

Landlords soon discovered that the calenders were being congested, no longer making headway, tenants were winning their cases, as a result of which a great many of them saw that the wiser judgment was to eliminate this practice of rent profiteering, if they were indulging in it.

Now, that went along until the spring of 1920. In the summer of 1920, as is pointed out in Governor Smith's paper, it was anticipated, and rightly so, as indicated by later experience, that the court calendars would become so congested in October, 1920, moving time in New York, as to make it absolutely impossible for our courts to function. And so Governor Smith called an extraordinary session of the legislature, in September, 1920 and that body, at the request of the Governor, passed a bill extending the limitation upon the power to dispossess until November, 1922, thus making it impossible even for the landlords to attempt to dispossess the tenant from possession until the crisis had entirely disappeared, and giving him only the remedy to go into court in a common-law action and recover a fair and reasonable rental value for the premises, and leaving that question to the jury. I know that the calendars of the courts were so crowded and congested in the city of New York that in one court upwards of fifteen hundred cases were noted for trial before a single judge for a single day. If a judge tries ten, twelve or fifteen cases a day, it is regarded as a hard day's work; but to try fifteen hundred cases was and is an

absolute impossibility. Now, that condition resulted from this defense created by acts of the legislature and brought the landlords quickly to the point where they realized it was no longer profitable and no longer wise to continue that practice of rent profiteering, and where they understood that the best thing for them to do was to come to some understanding with the tenants on a fair and reasonable basis.

Now when that part of the difficulty was out of the way, with these acts of the legislature, we were still confronted if you please, with the great problem of finding a way of getting new buildings very quickly in order to create a permanent solution of the difficulty. And so during the term of the extraordinary session a resolution was passed asking the Lockwood Committee to return to its investigation and to find out why it was that new buildings were not constructed in New York.

In my own judgment, we have found out, to some extent at least, the reason why it was that builders were not ready to construct buildings in the city of New York, and why money was being diverted from building construction to the purchase of securities. We found, as a matter of fact, the existence of gigantic combinations in the manufacture and distribution of material that goes into the construction of buildings from the very point of the destruction of old buildings to the completion of the new buildings, and I want to tell you, gentlemen, that this is not confined to the state of New York by any means. We have had the pleasure of examining the so-called constitution and by-laws of the national association governing those men who either manufacture materials or who distribute them, and we found that the so-called Hetrick plan, the so-called practice act that probably most of you have heard about, is a national proposition and not a state proposition.

Let me tell you in a few words just what that plan is, how it works out and what it is intended to accomplish. That practice act is just this: Whenever a man wants to construct a building in the city of New York or anywhere, and asked for general bids on the part either of the general contractors or on the part of those who are to furnish the stone

or any other material going into the construction of new buildings, the board of the association has a common meeting place to which every one invited to bid on any particular building sends his bids. A permanent secretary is kept there who goes over the bids that come in. A number of these bids are sent in in advance of the time they are sent to the prospective builder. The secretary goes over the bids, telephones to the various members, and tells them the amount of the bid to be delivered or turned in by each bidder.

It is a system by which in rotation each contractor is to receive a certain percentage or proportion of the business. Papers that we seized and are now in our possession show schedules in which each one of these contractors was apportioned a certain amount or percentage of the business, only depending upon the size of his plant; number one entitled to thirteen per cent, for instance, number two to nine per cent, number three to seven per cent, number four to nineteen per cent, and number five to six per cent, and so on. It is the duty of the secretary not only to see to it that each member of this association receives in substance as far as possible his own proportion of the total business to be transacted in the community for the year, but also to see to it, by looking at the bids in advance, that the bids are increased sometimes a hundred per cent over what they normally would be, and to see to it that the individual who receives that particular contract receives it at the increased rate, and that every other individual puts in a bid higher in sum and amount than the particular bid that is to win that particular contract. In order to make sure that the plan would operate they had another office to which a copy of the bid is sent after it is turned in to the owner, and if the particular contractor who is predestined to get the contract does not get it, then a committee is appointed to go to the place where these bids are filed and assist in opening the bids. If it is found that any contractor, owner or member of this association has directly or indirectly violated his agreement with the association and has put in a bid not in conformity with the instructions given over the telephone, he is subject either to fine, suspension or expulsion from the society.

So that it is a combination which not only absolutely controls each particular material that goes into the construction of a building, but, so far as the owner is concerned, gives it the outward appearance of competition, so that when the owner gets these bids the following day he finds seven, eight or nine bids running from ninety-six thousand to one hundred and forty thousand, not realizing that the ninety-six-thousand-dollar bid the day before was perhaps forty-seven thousand dollars, and was increased over night over the telephone.

That was the system in part from which the city of New York was suffering. That was the system that had brought materials to such an exorbitant level, and had driven capital from real estate market into almost any other market in which a profitable investment could be found; and I say that that condition does not exist in the state of New York only, because an inspection of the national constitution and by-laws of the national association of this organization indicates that this so-called Hetrick plan is incorporated in the by-laws of the national association, and if you find them there, as we have, there isn't any question in my mind that these combinations have a national scope.

I had an experience myself over a week ago while in Providence, R. I., trying a case. The judge stopped the trial for a couple of hours one afternoon, and he said to me, "I happened to think while you were talking to the jury, that you are a member of the Lockwood committee;" and then he told me that they were erecting a hotel up there and that four or five weeks ago a suggestion was made to him that bids be delayed until the investigation was completed in the city of New York; that he had suggested to those interested in the project that the bids be delayed, and that already in four weeks they knew they were going to save at least one hundred thousand dollars in the erection of that one hotel. What is true in Providence, R. I., is probably true in other large centers, and I take it that some notice should be taken by every state in the Union of the evidence taken before the Lockwood Committee, which proves to my satisfaction, at least, the existence of such a combination, national in scope, in order that each state might take its

own measures to eradicate that evil from the real estate industry.

We hope, as a committee, with the number of indictments that have been brought, and I will say to you we expect at least a hundred before we get through, there are only about twenty now,—to break up or help to break up those combinations. We expect that material going into the construction of buildings will return to a competitive basis after these combinations have been broken up, and we expect that when that has been accomplished money itself will be redirected to the field, that new houses will be erected at a reasonable cost in comparison with the old cost of construction, and that conditions will go back to the old normal situation which will soon give those people who live in the great centers of our great states of this Union the right guaranteed to them under the constitution of this country, the pursuit of happiness, which includes the maintenance of a family in a proper and suitable way at a fair and reasonable rental.

GOVERNOR STEWART, of Montana, in the Chair.

THE CHAIRMAN—Diverting from the regular program, Governor Bickett, of North Carolina, will make a report for his committee.

GOVERNOR THOMAS W. BICKETT of North Carolina—Mr. Chairman: Before reading the report I desire to say that there are some differences of opinion in respect to the phraseology of the report, but in respect to its general purposes the committee finds itself in complete harmony. With this statement I submit the following report:

The financial situation in the whole country is cause for the gravest concern but not for despair. All lines of business are realizing heavy losses, but the swift decline of prices of farm commodities to far below the cost of production threatens a national disaster. The situation demands infinite patience and forbearance and supreme wisdom and courage. Nothing but evil can result from anger or fear.

We believe that the tenseness of the situation can be relieved in several ways:

(1) Let every individual do all he can to help and encourage his neighbor. Let there be complete mobilization of the financial and spiritual assets of every community. Neither God nor the government ought to be asked to help those who do not first make every effort possible to help themselves. There ought to be a united effort in every community to keep any good man from being destroyed because he can not immediately meet his obligations. Under existing conditions it would be the acme of inhumanity and of unwisdom to force any debtor into bankruptcy if by the most liberal indulgence he would be ultimately able to pay. Business failures do more than wreck business; they oftentimes destroy man.

Liberal indulgences and renewals should be granted by the manufacturers to the jobbers, by the jobbers to the merchants, by the merchants to the individuals. It is no time for a creditor to seize his debtor by the throat and savagely say, "Pay me that thou owest."

(2) Let the federal government create a finance corporation of some sort that will enable the people of other lands to obtain from us the commodities they so greatly need, but for which they are not able to make immediate payment. We believe such a corporation to be entirely feasible and that its mere creation would substantially help the situation.

(3) The federal reserve board should be urged and authorized to advise all banks to adopt a liberal policy of renewals. The law authorizing six months' credit on agricultural papers should be liberally construed, and renewals for a like period should be freely granted wherever it safely can be done. The real wealth of the country is unimpaired. It would be suicidal policy to destroy this wealth by a pre-emptory call of loans.

If necessary the congress should at once amend the federal reserve law so as to temporarily supply additional credit and afford more time to debtors in distress.

We believe that the general adoption by individuals and by the government of the policies herein suggested would not only afford material aid, but would at once supplant the

gloom and the fear of the present with that confidence that is so vital to wholesome and successful business.

GOVERNOR PARKER—Mr. Chairman: Before moving, sir, for the acceptance of this report and that it be spread upon the records and a copy sent to each one of the governors, I would like to say that I think it is eminently fitting and proper that no resolution of any kind should ever be passed by the Governors, and events have shown the wisdom in adopting that course.

At the same time I would like to say a few words in connection with this agricultural question. It is one of the most vitally important questions today before the American people. The welfare of the corn-grower of the west and the sugar-producer and rice-producer of the south are equally important to the nation, and their real prosperity is so closely linked with national prosperity that we must all work together for the common good.

While this resolution directly refers entirely to agriculture, you must not overlook the vitally important fact that for many years in their wisdom this nation has seen fit to protect manufacturers from the underpaid labor of other countries whose people do not live up to standards to which America is accustomed. I want to submit that it is an outrage for the farmers of America, who by their toil and sweat and energy produce from the soil those things necessary to feed and clothe the people of all the world, to be left in competition with people whose ideas of existence are so totally un-American. This, sir, has been impressed upon me very deeply by conditions I have seen. Only a short time ago I saw a million cans, ten-gallon cans of oil coming into the United States by way of Seattle to be sold in competition with the vegetable oils produced in this country, our corn oil, peanut oil, and then, sir, the cotton-seed oil of all the cotton-producing states. In looking into it I find that in Japan, from whence they have shipped within the last year thousands of tons of rice to our country, that this product was produced by people who earn seventeen cents a day and earn as high as twenty-one dollars and ninety cents a year. The American farmer cannot exist on any such basis.

I am referring to this by way of emphasis, because the real welfare of our agriculturist today represents one of the largest problems before the American people. While this organization may not as a body pass a resolution every one of us can do his bit. There isn't a Governor in the United States who will not do everything that lies in his power for national welfare and to assist those sections which have very large surpluses of products.

My judgment is that the three essentials of a remedy for the present situation, are, first, finance, second, transportation, and third, distribution; and in making this statement I refer to the fact that today the United States has the most of the gold of the world, has most of the supplies of the world, and the world is anxious for them. The farmers in the west have their wheat and their corn, and the farmers of the south their cotton and cane that is urgently needed all over the world.

How can these nations who urgently need these products start the wheels of commerce moving by buying and at the same time pay their large debts? They have their mills and machinery, and need these products to earn a living for themselves and families, and to clothe the people of those countries; and it is perfectly absurd to ask them to buy for cash, because they have no money. If we can sell to those people on sufficiently long time we can provide for them employment and sustenance. We can teach a new lesson to all the world, I believe. The remedy applied will show prompt reaction. It will promptly restore stability and confidence, which are lacking today. Confidence will be restored when we know that the world is going ahead, and that we all trying to lend a helping hand to restore peace and prosperity everywhere.

I move that the resolution be received and a copy of it be sent to each one of the Governors, requesting consideration and his help to put into practical operation some of the suggestions therein made.

THE CHAIRMAN—In the absence of any objection, the resolution will be received and transmitted as suggested.

GOVERNOR SPROUL—Mr. Chairman: I have no intention of detaining the conference more than a moment.

I think, and want to express the thought, that Governor Parker has touched the key-note of the solution of a great many of our problems in the word "confidence" which he used so excellently and in such an appropriate place.

We have the gold and the credit of the world. Things are fundamentally right in America. If we will cooperate through the government, the federal government and the states, and through our business people, in a program of confidence, I do not think we will have any trouble.

In my paper today I showed something about the draft of the federal government upon the resources of the people in the way of taxation, and we hope for a decrease in those taxes so that the states may function and that there may be savings left for investment.

Now, if the federal government in its wisdom should see fit to give a little preference to farm loans, that is to the income from them, and the income from loans for new house construction in this country, it would make those investments so attractive that the money which is needed for farm loans and the money which is needed to provide housing facilities in our industrial centers, and no one needs them worse than we do here in Pennsylvania, would be forthcoming. There is plenty of money in the country, and that money would be available with a reasonable attitude by the federal reserve banks toward those particular constructive programs which are needed in this country today. It would help a whole lot; it is really fundamental. We can and should engender a real confidence.

THE CHAIRMAN—It has been suggested that we should go ahead with the regular program of papers and leave the discussion until some subsequent meeting or meetings, and therefore I will ask Governor Peter Norbeck, of South Dakota, to present his paper. Governor Norbeck, as you know, will soon step down, if you please, from the exalted office of Governor of a great state to the commonplace position of United States senator.

THE SOUTH DAKOTA RURAL CREDITS ACT

GOVERNOR PETER NORBECK of South Dakota

Mr. Chairman, and members of the Conference, ladies and gentlemen: I am supposed to read a paper. I have not a paper ready such as I want to read; therefore I am going to talk to you. I am going to talk to you, not about a new hobby or some proposed experiment, but about the experience of South Dakota in trying to finance the farmer.

For fear that you will fall into the common error I want to say that I am not from North Dakota but from South Dakota. North Dakota is the best advertised state in the Union at this time, and of all the new things that have there been proposed, most have been tried out and have failed in every instance, failed, I believe, not altogether because they were started out on wrong lines, but failed largely because they have not gone at things in a practical manner. While the farmers have financed some of the movements and financed them liberally, they have not been real farmer movements. The leaders were friends of Bill Haywood and Carl Marx. They were not quite on earth; they did not have their feet on the ground; they were skirmishing around in the clouds, groping for something they did not know what.

South Dakota has been in the money-lending business for thirty years, starting in a small way with the proceeds of the sale of school lands given us by the federal government. That fund has reached a total of about twenty-seven million dollars, gradually grew to that, and our experience in thirty years is that in making these loans and in re-lending there has never been one dollar lost to the state. Starting from that foundation we have said if the state can do this safely for thirty years with our own money, maybe we could secure additional money and work on a larger scale for the next thirty years and we can accomplish even greater results.

I speak to you from the western standpoint. I realize the situation is not alike in all sections of the country; but, as you all know, there are two kinds of money necessary for business. Out west we have only one kind; no savings

bank accounts to amount to anything, only checking accounts, the short-time C. D. In other words, the people are not willing to loan their money for five years or ten years, and the money we have there is only of service for short turnovers, current funds, loaned to the farmer to get seed grain in the spring and in the fall to feed the steers. That is all we have available. Beyond that we have to come east looking for the dollars we sent away when we bought threshing machines, reapers, life insurance, automobiles, and so on. We found when we came into the eastern half of the United States a large number of old men who are not keen for business, but who have money to loan; all they want is interest. That is the only other kind of money we are looking for. We found they were pretty timid about sending it out west; we found that they did not understand the western country, they did not have the confidence which we could wish they had; and the result was they too would loan only in small amounts and on short time. That did not help the farmer out. The mortgage came due perhaps during a season of crop failure or a time of low prices. Borrowers found it difficult to renew, or at least expensive to renew for a five-year period. So a great many of our people came to feel that we must have longer-time loans. The amortization idea was popular, because loans could be made for a thirty-year period, probably a working lifetime, and the borrower could pay that loan out of the products of his labor on the farm.

When it was learned that the federal loan plan would be put into effect, the people of South Dakota took initial steps in that matter; first, because we have come to feel that while we are not state rights people, we do believe there should be a state consciousness. We are asking the federal government for too many things we can better do ourselves; and second, for the better reason that we were afraid congress would do nothing in the matter but talk.

Some six years ago a constitutional amendment was submitted to the people of South Dakota. We found ourselves tied up with a constitution forbidding the state to do what we wanted to do. We were tied up a little worse, perhaps

than any of the other states. We submitted to the voters a change in the constitution in order that we might be permitted to have long-time investments. This was done before congress had taken any action. We have in South Dakota other plans for getting money aside from the regular loaning agency. The federal farm-loan plan has done much good, but is not as popular as the state plan. Then, as I say, we have twenty-seven million dollars of school money. That would not look large in Pennsylvania but it is large in a state with six hundred thousand population, and it has gone a long way to help out.

Now the principal plan is simply this: We go to your eastern man who has the money to loan, and we do not say, "Bill Smith or Tom Jones wants a mortgage on his farm," but we say, "We will give a mortgage on the whole state of South Dakota and everything in it if you will loan us the money cheap enough, and we will take it ourselves and loan it to the farmers;" and we are able to take the eastern man's money back with us. He is perfectly willing to take a state bond and let us have his money cheap, and we loan it out to the farmer and put those mortgages away in the state vault. The state does a regular banking business in that way, collects interest and the amortization payments, and we keep our credit good. It is different from the federal farm-loan plan, mainly in this respect, that it is direct, no association is required, the farmer does not become liable in whole or in any part for his neighbor's obligation. The western farmer is rather an individualist. He does not like joint liabilities.

A board of five administers the law. The Governor is ex officio chairman. Two of the best bankers and two of the best farmers in the state serve on the board. Applications for loans come in direct. There is no charge for examinations, and there is no commission. Any farmer who can make out his application and send in his abstract can get his money without any further expense.

I might say that in the beginning the banks were a little skeptical about this; some thought it radicalism, others thought it would hurt their farm-loan business, and while

the opposition was not aggressive, there was much quiet opposition to it, but that is all changed. It is safe to say that now nine out of ten applications come directly through the local banks. The banker has come to realize that getting long-time money and helping the farmer means a great deal to the community and the bank. It is safe to say that if the question of repealing the farm-loan act of South Dakota were submitted to the bankers, they would retain it by a vote of nine to one. Of course, there are a few people who will never agree to anything. There is no use talking to them; they have to live along until they are through and give way to others who are more progressive.

Now, we have gone ahead and loaned about thirty million dollars in three years. That has been loaned to about seven thousand farmers. In fact about ten per cent of the farmers of South Dakota have been financed by the state during the last three years. The plan has worked splendidly. Of course, we can not go wild; there is a limit to all things, even to state credit. We have been as careful about making loans as any loan company, in fact more so. These loan companies send their representatives out once or twice a year, and they have repeatedly told us that our plan is as clean and conservative as anything they have ever found. The proof of it maybe lies in the collections that have been made; yet you know how farm collections are, almost always a little slow. Take for instance the 1919 loans, that is the 1918 and 1919 loans, payments were due in 1919, something like five thousand of them. They are all paid in but two. One of those who has not paid as yet is a widow with eight children; she lost her husband in the army. In the other case a neighbor sold part of his farm to another man, and they got into a law suit as to who should make the payments. Those were the only two last year. Even collections this year have been good. Collections are pushed as hard by the state as any one else would push them. I thank you very much.

THE CHAIRMAN—This morning the Governor of South Carolina had a paper on "Decentralization of Governmental Functions and Activities." There are two other papers

on that subject, and while we switched off temporarily, we now may return to that subject. Governor Carey, of Wyoming, will present a paper on decentralization of governmental functions.

DECENTRALIZATION OF GOVERNMENTAL FUNCTIONS AND ACTIVITIES

GOVERNOR ROBERT D. CAREY of Wyoming

Mr. Chairman and Gentlemen:

In discussing the subject assigned me, namely the Decentralization of Governmental Functions and Activities I shall treat the same from the viewpoint of the West, first for the reason that I know more about conditions there than in other parts of the Country, and secondly, because there is no question but that the Western States, on account of large areas of public lands are suffering more on account of Federal domination than are other states.

The Constitution of the United States, in Article 10 provides that "The powers not delegated to the United States by the Constitution, nor prohibited to it by the states are reserved to the States respectively or to the people." It seems that those who took part in the Constitutional Convention were agreed that while the Union should be endowed with adequate powers, the States themselves should retain all powers not specifically granted to the Federal Government, and that particularly they should have the right to regulate their own internal affairs. In the original scheme of government no provision was made for the various Boards, Bureaus and Commissions that have since been created. Today we find that the Federal Government has taken upon itself one function after another until there is hardly anything within the States that it is not attempting to regulate and control.

Many of these agencies have been created through the efforts of Congressmen to get appropriations for one thing and another that they believed might please their constituents, and by "pork-barrel legislation" money has been provided for activities which rightfully should have been

taken care of by the individual states. When one considers the fact that the cost of maintaining these different commissions and bureaus comes indirectly from the people themselves, he realizes that the favors secured are dearly paid for and we profit little by having them. The cost of these various bureaus has steadily increased until it was necessary at the last session of Congress to appropriate nearly nine billion dollars for their support. In many cases governmental bureaus duplicate the work of State agencies and of other branches of the Federal Government. Again we find several governmental agencies engaged in similar activities, not working harmoniously, but each trying to wrest power and control from some other Department. No Department or Bureau has even been known to willingly give up any power conferred upon it but all of them spend a large part of their time and efforts in attempting to prevail upon Congress to increase their functions and to appropriate more money for their use. To a large extent this accounts for the large increase in the number of civil employees and expenses and until there is a thorough reorganization of all governmental departments we can expect these different agencies to flourish and the expenses of the government to increase.

One of the favorite methods pursued by them for getting control within the States has been by making appropriations for Federal Aid, providing that the states to avail themselves of these funds must make similar appropriations. As a rule a state Legislature feels that it must meet this Federal money or the State will lose something, and in consequences in many instances these Federal appropriations encourage extravagance within the respective states. Usually such restrictions are placed around these appropriations by Congress that while the State puts up its money it has little or no supervision over the expending of it, this function being performed by some Governmental Bureau. An example of this is the Agricultural Extension Work, which is provided for under what is known as the Smith-Lever Act. In Wyoming, in order to get this Federal aid we are spending between four and five times as much as the Federal Government, yet the work is carried on according to their rules and

regulations, not ours. I know that we would be much better off and could accomplish much more for our farmers, by conducting an independent department of our own and by not taking the aid proffered by the Government.

Like nearly every other State, we have availed ourselves of the Federal Highway Funds and in consequence are building roads not according to our own desires or specifications but as prescribed to us by the Bureau of Roads. There is no question but that in building highways they should be constructed of a permanent nature or at least in such a way that they will not have to be rebuilt within a few years, but in a State like Wyoming where we have a large area, few people and comparatively little assessed valuation, if we were permitted to use the money in properly fixing the poorer sections we could make passable highways throughout the State and could have a much greater mileage of good roads. However, I want to say for the Bureau of Roads that it is one of the best handled branches of the Federal Government. The present head of that bureau has attempted to get away as far as possible from governmental red tape and has made a real effort to expedite road building. Further he has conferred sufficient authority upon his subordinates to make it possible to transact business with them instead of going to Washington as is usually necessary with other departments.

I do not want to go on record as being opposed to Federal Aid appropriations, but I feel that if the States are expected to make appropriations to meet Federal Aid, the representatives of the States should be consulted as to the expenditure of the money, and that some Bureau Chief in Washington should not be the sole judge or have the sole right to make rules and regulations for the conduct of a Department for which the State is contributing as much or more than the Federal Government.

There are eleven Western states of which a large portion of their area is under the supervision of the Secretary of the Interior or the Secretary of Agriculture. This area varies from 35 per cent in the State of Washington to 86½ per cent in the State of Nevada. The public land states are permit-

ted to police and build roads through this vast extent of territory which pays no taxes and contributes practically nothing toward the support of either the State or County Governments. The laws under which these lands are administered, which are largely rulings of the Secretary of the Interior, are such that they have retarded the development of every Western State and the development that has taken place has been in most instances in spite of the Federal Government rather than on account of the assistance that it has rendered. Usually the policy of the Interior Department has been to make it very difficult for anyone to acquire lands under the various Land Acts and it has always presumed that the person attempting to acquire title was endeavoring to beat the Government out of some valuable possession. These laws have been made by successive congresses, a majority of whose members knew nothing about the West or the quality of these lands and have always presumed that they are much more valuable than they really are, and that any man, with proper industry, could establish a successful farm on a very small acreage.

Further, whenever oil, coal or other minerals were discovered in any locality, all adjacent lands were withdrawn from settlement or entry and the people of the West have been prevented from developing their natural resources and have not had the same opportunities as were given to other States.

When Virginia and the others of the original states ceded to the Continental Congress all territory not included within their boundaries it was provided that "These lands should be disposed of for the common benefit of the United States and be settled and formed into distinct republican states which should become members of the Union." Now admitting that these lands should be disposed of for the common benefit of the people, the methods pursued have not been of benefit to the United States or anyone else. It has not only been made difficult to acquire title or develop these lands, but the cost of administration far exceeds any revenues that have ever been derived from them.

Carrying out the Conservation Policy large areas of the Public Domain were transferred from the Interior Depart-

ment to the Department of Agriculture and the Bureau of Forestry was created. In Wyoming we have about eight million acres in Forest Reserves with perhaps three million acres of actual timber. Grazing permits are issued on these reserves and timbering is permitted under certain restrictions. There has been little or no effort made to encourage lumbering operations and thousands of feet of lumber are going to waste. The value of the lands for grazing alone is enormous, yet I feel certain that the cost of administration far exceeds the revenues received by the Government. Grazing permits are determined upon in Washington and on account of this long distance management there is a constant friction and dissatisfaction.

A comparison of the results obtained by the State of Wyoming in the handling of its lands with what the Federal Government has accomplished is not only interesting but is much in favor of Wyoming. The Act of Admission gave Wyoming about four million acres of lands. There was a wise provision that none of these lands should be sold for less than \$10.00 per acre, which prevented the State from disposing of them for little or nothing as was done by other States having land grants. Consequently we have sold but 555,000 acres and much of it for more than the minimum price. From the sales and from royalties on mineral lands we have built up a permanent fund of \$5,281,087.99. The total receipts of our land office for the last biennial period amounted to \$3,430,608.78, while during the same time our grazing leases and interest on deferred payments on lands sold was \$866,191.80. For the fiscal year ending June 30th, 1920 the receipts collected by the Forestry Bureau from the eight million acres of National Forest Reserves in Wyoming amounted to but \$212,735.56. Thus the Bureau of Forestry, having twice the number of acres as the State had only one-half as much revenue and on the per acre basis the State received four times as much returns as the Forestry Bureau. I do not know the cost of maintaining the National Forests in Wyoming but I do know that the cost of our land department was a trifle over one per cent of the receipts. Every dollar that we received from the sale of lands or from

royalties on mineral lands goes into the permanent funds. The interest from the same and the receipts from grazing leases are used for the benefit of the different State Institutions and the common schools. I feel safe in saying that neither the Federal Land Office nor any Governmental Bureau can make as good a showing.

At a meeting in Washington which I attended last Winter, I heard a gentleman make the statement that the reclamation service was 100% efficient. The reclamation service has done some wonderful work and I know that had it not been for it there would have been very little reclamation development in the West in recent years. I want to give it credit for the good it has done but the percentage of efficiency given by my friend in Washington seems a trifle high. There is one project in Wyoming which it took over which had been attempted by private capital. It had been surveyed and re-surveyed, yet the Reclamation Service spent \$280,000.00 before it was in a position to commence construction work. The amount spent in getting ready would have completed a large unit of this project.

Several years ago the Reclamation Service made application to the State Engineer of Wyoming for a water right from the North Platte River, one of our largest streams. Under our Constitution the waters in our streams belong to the State. The plan contemplated the building of a dam across the river for the impounding of storage water, and the permit was granted with the understanding that certain lands be irrigated in Wyoming together with lands in Nebraska. The Reclamation Service has not kept its agreement with the State in that it has not only put under irrigation lands in Nebraska which were not included in its permit but today of the lands irrigated but 20% of them are in Wyoming. What I object to most of all is that the Service has prevented the development of other irrigation enterprises by consistently maintaining that it owned all the water in this river and that there was not sufficient water for other lands and has prevailed upon the Commissioner of Public Lands not to approve of either desert land entries or Carey Act projects adjacent to this stream. Investigations which

have been made recently have proved conclusively that there is not only an abundance of water for all lands but that there is more water coming into the river below the reservoir than above it and that by building a reservoir near the Nebraska line lands in that State can also be taken care of.

The Bureau of Animal Industry has always attempted to run for us the office of the State Veterinarian and the State Board of Sheep Commissioners. There have been times when the State authorities have yielded to them and have permitted them to dictate. During one of these times a disease known as lip and leg ulceration broke out among the sheep. The bureau did not know how to combat this disease but being unwilling to confess its ignorance, an order was issued that all sheep in the State must be dipped in the same solution as was used for scabies. The result was that thousands of dollars were spent by the sheepmen in carrying out this order and not one sheep was cured. About the same time scabies was discovered in some of the cattle and an effort was made to eradicate this disease. In some cases Veterinarians fresh from school, who had never seen an animal infected with scabies were sent into the State and often cattle were dipped for the sole reason that the Representatives of this Bureau could not distinguish between a clean and an infected animal.

If one desires to study the operations of these Federal Bureaus and Agencies in all their glory he should visit the Jackson's Hole Country which lies just South of the Yellowstone National Park. Most of this section is in forest and game preserves and here we have the best game country in the United States. The Bureau of Parks is endeavoring to add a large part of it to the Yellowstone National Park while the Biological Survey wants it for a game preserve. The Forestry Service is not in favor of the park extension for the reason that it would transfer control from the Agricultural to the Interior Department. The Reclamation Service has a large reservoir at Jackson's Lake which is irrigating lands in Idaho, and on account of the large volume of water that is run during the irrigation season the river is impassable and there are no bridges. The land along the

river is being constantly washed away and damaged but the owners have no redress. There are two Carey Act Projects which the General Land Office will neither approve nor disapprove. Practically all lands suitable for homesteading are withdrawn from entry and the development of the country is at a standstill. Numerous writers from the East have been imported into this section to write propaganda to assist the different Washington Bureaus to get control of this section. Everyone has had a press agent except the man who is trying to live in this Country and to establish a home.

No doubt many of you will agree with me that the strike of the Bituminous Coal Miners a year ago could have been settled in a very short time in many of the States had it not been for interference from Washington. In Wyoming our miners worked during the greater part of the strike and had we been permitted to handle matters the mines would have been closed but for a very few days. The settlement that had been agreed upon by the miners and operators was as fair a one for all concerned as was finally negotiated by the Federal Government and had we been free to act a large amount of suffering could have been avoided. The action of the government at that time prolonged the strike rather than settled it.

I could give you countless other examples of what these different governmental agencies have done in Wyoming and no doubt there are other Western Governors who have had similar experiences. However, I realize that this gathering is not here to listen to our troubles and I have mentioned them not to acquaint you with our difficulties but to show the inability of the Government to handle a large part of the business it is attempting to supervise.

It is not my desire to condemn all governmental departments or agencies, as there are many instances where they are most anxious and willing to cooperate with the States, but there are just as many where they are most arbitrary, and unwilling to acquaint themselves with true conditions, or to consult with State authorities. Many of them must be continued as they are handling business that should

come under Federal jurisdiction, but I believe that where the interests of States are involved the State authorities should be consulted and their wishes considered, also in doing business these agencies should not be governed by hard and fast rules, as the Country is large and conditions vary. A rule or regulation which may be good for one part of the United States may work hardships in other sections.

There is no question but that the greater part of these governmental agencies should be discontinued as we have acquired a two-fold government attempting to work along the same lines, but at cross-purposes. For the money that is being spent we are not receiving fifty cents on the dollar. As I stated before there is nothing the Government is not attempting to regulate and supervise and it has from time to time been encroaching on the rights of the States. The average citizen prefers to do business at home where he has some part in the government. He objects to transacting his business at Washington as trips are both expensive and unsatisfactory. On account of the financial condition of the Nation there never was a time when the Government could so ill afford to continue these useless expenditures and there is less excuse for them now than ever before. The time has come to permit the States to handle their own affairs without Federal supervision and I feel certain that if this is done we can not only have better government but that the people themselves will be much better satisfied.

THE CHAIRMAN—Governor Clement of Vermont will now favor us with a paper on this same subject.

DECENTRALIZATION OF GOVERNMENTAL FUNCTIONS AND ACTIVITIES

GOVERNOR PERCIVAL W. CLEMENT of Vermont

Mr. Chairman and Gentlemen of the Conference: I notice that on the program the title for this subject reads, "Decentralization of Governmental Functions and Activities." That title, I believe, implies that decentralization of governmental activities by the federal government is desirable, and it also admits that there is a very large amount

of centralization. I am going to take up this subject from a little different standpoint than that which has been followed by the gentlemen who have preceded me. I have been greatly interested in what they have had to say, and I think we all agree that there ought to be and must be found some way for the states of this country to recover and retain the rights which they have lost, many times through inadvertence.

The decade about drawing to its close has witnessed strange developments in the political history of the United States; it has been a period fraught with many dangers, both from within and without, and from which we are not yet extricated. I believe the most serious problem with which we are confronted today is not the danger of entangling foreign alliances, but is one which strikes at the very foundation stone of our own internal government.

That problem is whether we shall have a government of the people, by the people and for the people, or whether the powers of government shall be centralized at Washington, to be there defined and exercised, while the states become mere provinces with their inhabitants permitted to do only those things which the federal government may see fit to allow.

Ten years ago who could have foreseen and foretold the condition in which we today find ourselves, and which, unless checked, is likely to produce the very result which the fathers so earnestly sought to avoid.

The constitution of Vermont, in common with that of many other of the states of the union, contains a precept which I fear is too frequently overlooked and too lightly observed, but it is one which, at this particular time, should merit our most careful and conscientious consideration if we are to remain a self-governing nation, and I take the liberty to quote from Article XVI of the Declaration of the Rights of the Inhabitants of the State of Vermont, as set forth in chapter one of the Constitution of Vermont, adopted on July 8, 1777:

“That frequent recurrence to fundamental principles and a firm adherence to justice, moderation, temperance, in-

dustry and frugality, are absolutely necessary to preserve the blessings of liberty and keep government free."

The time has arrived when we *must* recur to fundamental principles *if* "the blessings of liberty *are* to be preserved and government *is* to be kept free."

It should be recalled at the very outset that the notion prevalent in the minds of those who framed the constitution of the United States was that the nation then being formed was not to be governed by a king, nor were the rights of the people of the country to be subject to the caprice of an emperor.

Indeed it was only after *years* of agitation and *months* of debate that it became possible to frame a written constitution that would meet sufficient approval from the delegates assembled for that purpose, and which could have any hope of adoption.

Only the exigencies of the times, and a condition fast approaching anarchy, permitted a central government to be formed, under which the states in their relations with foreign nations might present a solid front, and the revenues necessary for the maintenance of government be assured.

The expressed intention of the makers of the federal constitution was not to centralize *all* power, in the federal government, but that the states should only grant to it such power and authority as was necessary to permit it to exercise the functions for which it was created, and it is worthy of note that the first ten amendments to that constitution were not grants of further power, but limitations and restrictions upon the Federal Government.

Nations have characteristics similar to all material things. They have their youth, middle age and old age; their period of strength and decay; and it is a curious thing to note that wherever a great nation has disappeared, no strong government has ever again been founded upon the same soil.

Egypt, Carthage, Persia, Babylon, Greece and Rome, which in their day were all great, died and passed away. It remained for America to try out the experiment of free government.

Government was always imposed by might. Prior to the settlement of the English colonies in this country, all great nations had been ruled by one head, supported by an army. Such limitations as existed to one man power had been wrung from rulers by the people who were governed. Power emanated from the throne.

Three hundred years ago when the Mayflower pact, so-called, was signed in the cabin of that little vessel, the notion that government should be by the people themselves was advanced, perhaps for the first time in the history of the world, but it took one hundred fifty years of constant struggle on the part of the American colonies before that idea was realized in the Declaration of Independence. In that document for the *first* time was laid down the principle that to secure life, liberty and the pursuit of happiness, governments are instituted, deriving their just powers from the consent of the governed. It was a new conception of government. It was an experiment which no foreign statesman could ever conceive would become successful.

Under the New England system, town government is the basis of our state governments. The town brings each individual in touch with government so that he feels he is a part of the governing power.

In my own state the early settlers organized into towns and created their own independent town governments, which existed *many* years before the state government was formed. When it became apparent that for the purposes of defence a state government was necessary, representatives from the various towns met in convention, and on January 15, 1777, organized the free and independent state of Vermont. On July 8, 1777, Vermont adopted a constitution which provided among other things, that the legislature should have no power to add to, alter, abolish or infringe any part of that constitution; and never, since its adoption, was it possible under that provision for the constitution of Vermont to be legally amended, without submitting such amendments to a direct vote of the people, *until* amendments were forced upon the people, *without* their consent, in the manner which I shall later take occasion to point out.

While I have not made a comprehensive investigation for the purpose of ascertaining whether all of the other state constitutions make similar provision for amendment, it is my belief that such provision exists in every instance.

The method of making amendments to the Federal constitution was carefully considered by its makers, and the idea at which they arrived was to make some provision whereby in the case of amendment, there should be an opportunity for an expression on the part of the people, either through the election of their legislators, or by means of a convention elected solely for that purpose. They little dreamed that a time would *ever* come when sufficient pressure could be exerted to force amendments through special sessions of the legislatures, without permitting any popular expression on the subject.

As I have stated before, it will be noticed that the first ten amendments were limitations; the tenth expressly providing:

"The powers not delegated to the United States by the constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people."

Three of the four most recent amendments, viz., the sixteenth, eighteenth and nineteenth, all adopted within the last decade, are, each of them, direct invasions of state rights, and each of them have been imposed upon the people of Vermont, in common with the rest of the country, without their consent. Two of them have resulted in amending the constitution of Vermont by a method contrary to that provided for its amendment, and in a manner *never* contemplated by the framers of the constitution of Vermont, or that of the United States.

It may be well to refer briefly to the attitude of certain of the strongest exponents and supporters of the federal plan of government, who were highly instrumental in working out the plan and procuring the adoption of the United States constitution.

Undertaking to demonstrate that the promoters of a strong federal constitution did not have in mind the centralization of power in a national government, beyond just so much as

would be necessary to give it force and effect as a unity, and to show that there could be no danger that an undue centralization of power could ever result, and to meet the objection of those opposed to the adoption of the Constitution, who hesitated to relinquish any of the sovereign rights of the states to a central government. Alexander Hamilton, whom it must be admitted was one of the most active leaders of the Federalist party, said:

"The objectors do not advert to the natural strength and resources of state governments, which will ever give them an important superiority over the general government. If we compare the nature of their different powers as the means of popular influence which each possesses, we shall find the advantage entirely on the side of the states. This consideration, important as it is, seems to have been little attended to. The aggregate number of representatives throughout the states may be 2000. Their personal influence will, therefore, be proportionately more extensive than that of one or two hundred men in Congress.

The state establishments of civil and military officers of every description, infinitely surpassing in number any possible corresponding establishments in the general government, will create such an extent and complication of attachments, as will ever secure the predilection and support of the people. Whenever, therefore, Congress shall mediate any infringement of the State constitutions the great body of the people will naturally take part with their domestic representatives.

Can the General Government withstand such a united opposition? Will the people suffer themselves to be stripped of their privileges? Will they suffer their legislatures to be reduced to a shadow and a name? The idea is shocking to common sense."

Again, listen to the words of James Madison, another strong supporter of the Federal plan, as they appear in "The Federalist." No. XLV.

"The powers delegated by the proposed constitution to the federal government, are few and defined. Those which are to remain in state governments, are numerous and indefinite. The former will be exercised principally on ex-

ternal objects, as war, peace, negotiation, and foreign commerce; with which last the power of taxation will, for the most part be connected. The powers reserved to the several states will extend to all the objects, which, in the ordinary course of affairs, concern the lives, liberties, and properties of the people; and the internal order, improvement, and prosperity of the state."

And, again, in the Federalist, No. XLVI, Madison writes:

"But ambitious encroachments of the federal government, on the authority of the state governments, would not excite the opposition of a single state, or of a *few* states only. They would be *signals* of general alarm. *Every* government would espouse the common cause. A correspondence would be opened. Plans of resistance would be concerted. One spirit would animate and conduct the whole. The *same* combination, in short, would result from an apprehension of the federal as was produced by the dread of a foreign yoke; and unless the projected innovations should be voluntarily renounced, the same appeal to a trial of force would be made in the one case, as was made in the other."

It seems, therefore, that two of the great leaders of thought in the drafting of the Federal Constitution were utterly opposed to such a centralization of power in Washington as that conferred by the three amendments referred to.

These three amendments, viz., the sixteenth, eighteenth and nineteenth, have been added to the constitution by organized minorities, backed with ample funds, by means of a lobby system acting directly upon Congress and upon the legislatures of the various states. No one of them emanated from the people, nor has a single one of them been approved by the people, and when an attempt was made in one state to have a submission of the matter to the people, we learn from the Supreme Court of the United States that the referendum provisions of state constitutions and statutes cannot be applied consistently with the constitution of the United States, in the ratification or rejection of amendments to it; and we are brought forcibly to a realization of the fact that the people of the several states of the union are without right to directly express their will with respect

to changes in the fundamental law, not only of the United States, but in many instances, in that of the individual states themselves.

In operation, such a proposition invades our state constitutions in a very remarkable degree. As states, we have lost the power of police regulation and control. We have conferred a power of taxation on the federal government which may destroy any state government.

Instead of the plan, founded by the fathers, of government coming up from the people, we have started government downward to the people from above.

As stated before, these amendments have been imposed upon Congress and the legislatures of the various states by well organized minorities, and without the consent of the people. In connection with this matter, let me call your attention to a paragraph in Washington's farewell address:

"The basis of our political system is the right of the people to make and alter their constitution of government. But the constitution which at any time exists until changed by an explicit and authentic act of the whole people, is sacredly obligatory upon all. All obstruction to the execution of the laws, by combinations and associations, under whatever plausible character, with the real design to direct, control, counteract, or awe the regular deliberation and action of the constituted authorities, are destructive of this fundamental principle, and of fatal tendency. They serve to organize faction, to give it an artificial force, to put in the place of the delegated will of the nation, the will of a party, often a small but artful and enterprising minority of the community; and, according to the alternate triumphs of different parties, to make the public administration the mirror of the ill-concerted and incongruous projects of faction, rather than the organ of consistent and wholesome plans, adjusted by common counsel, and modified by mutual interest.

However combinations or associations of the above description may now and then answer popular ends, they are likely in the course of time and things to become potent engines by which cunning, ambitious, and un-principled men

will be enabled to subvert the power of the people, to and usurp for themselves the reins of government, destroying afterwards the very engines which have lifted them to unjust dominion."

No stronger words could have been used in calling our attention to such dangers than those which George Washington used with such prophetic vision 124 years ago; suggestions, which had they been followed by careful observance would have prevented this present tendency towards centralization of power. It is a time when thoughts such as expressed by Washington in that immortal address should be considered by every citizen of the country. It is a time to recur with greater frequency to fundamental principles.

What do you suppose would be the thought of Alexander Hamilton, could he return to this life at the present day and see the countless army of federal employees swarming over the face of this country and dictating to every man his course of conduct, personal, professional and commercial?

In times of war it is necessary and proper that power be centralized in the federal government. It was organized for purposes of national defence. But when war is over and we return to peace we should return to a peace basis, and all activities, which in war times have been conducted by the federal government for war purposes, should cease and the power temporarily granted be promptly relinquished.

Unfortunately, however, there seems to be a strong current tending towards centralization of more power, and this tendency unless checked by the people, may reach such proportions that it will be impossible to stop it.

Whichever of the two great political parties may happen to be in power makes little difference. Politicians are never ready to surrender power and authority, but to the contrary, they are always striving to extend it.

Some governments in the past have failed through weakness and inefficiency. Some by becoming too powerful and tyrannical. It has always been contended that the United States, with its power emanating from the people, would never become weak, and, operating under the restrictions of our constitution, would never become tyrannical. Never-

theless, if we vary from the original plan laid down but one result can be expected.

There is a remedy for this condition, that rests with the people themselves, and that remedy is an amendment to the federal constitution, providing that no further amendment shall become effective unless sanctioned by the people, either voting directly upon such proposal of amendment, or taking action through a convention elected solely for that purpose. In no other way can the people of this country be safe guarded against the dangers of which Washington gave such clear warning.

If this nation is to remain a self-governing power, a nation in which all power emanates from the people, we must resist each and every encroachment upon the authority and prerogative of the people, from whatsoever source it may proceed.

When a man who may be in control of large affairs neglects his duty and allows others to assume control, he soon loses his position.

When a ruler becomes lax and indifferent and ceases to function, his power soon passes from him.

If, therefore, the people of this country who are primarily responsible for its government, fail to assert their prerogative the sceptre of power will surely fall from their hands, and be wielded by those who have the ambition and strength to use it.

Unless we are prepared to discard the plan of the fathers, of a government of the people, by the people and for the people,—a government deriving its just powers from the consent of the governed,—*we must recur with greater frequency to fundamental principles.*

We must dare to assert our right to be the sole judges of changes in the fundamental law, and daring we must exercise and maintain that right.

THE CHAIRMAN—According to the program, we are to leave the hotel at six o'clock, and I understand that the dinner is to be more or less of a formal affair. I assume that those of the Governors who are not fortunate enough to have their wives along to help them dress will have some little

trouble and ought to have at least an hour. The suggestion has been made that we adjourn until ten o'clock tomorrow morning.

GOVERNOR SPROUL—Mr. Chairman, I want to make a statement as to how important it is to meet promptly tomorrow morning. There are matters in connection with the organization and executive matters in connection with the Governors' Conference which ought to be considered by a reasonably full attendance. We are to leave at eleven fifty on a special train for Philadelphia, and I hope that enough of the Governors will come up here at ten o'clock so that we can get started promptly and have ample time to do what will have to be done. We will take care of all baggage and get it to the station in time for the eleven fifty train. I think if we are here at ten o'clock the matters we have in hand, while they are very important, can all be taken care of.

THE CHAIRMAN—I think too much can not be said of the importance of this last business meeting. It is highly important, now that the other work of the Conference has been completed, that we should not overlook the important details of business organization. We ought all to be here at ten o'clock.

GOVERNOR HARDING—I would like to make a motion to be considered at the morning meeting, and the motion is that since we have listened to these learned, able papers on the subject of state rights, that the Republican members present turn their faces to the wall for a few moments and allow the Democrats to laugh.

THE CHAIRMAN—I would suggest that everybody ought to laugh.

GOVERNOR JAMES P. GOODRICH of Indiana—Since we have heard an excellent Republican speech by the Governor of Louisiana, why can't the Republicans laugh?

THE CHAIRMAN—This Conference always has been very fortunate, gentlemen, in that it has been impossible to tell

from the appearance, actions or speeches of the Governors in attendance whether they are Democrats or Republicans.

The Conference, then, will be adjourned until ten o'clock tomorrow morning.

Whereupon, the Conference adjourned until 10 o'clock Friday morning, December 3.

FRIDAY, DECEMBER 3

MORNING SESSION

The Conference was called to order at 10 o'clock A. M., Governor Thomas W. Bickett of North Carolina in the Chair.

THE CHAIRMAN—The Conference will please be in order.

GOVERNOR SPROUL—Mr. Chairman, we have a few minutes to spare, and I would like very much to have the privilege of the floor given to Mr. Pinchot, who is our chief forester in Pennsylvania, to explain the plan in his mind in regard to national forestry.

THE CHAIRMAN—I am sure the Conference will be delighted to hear Mr. Pinchot.

MR. GIFFORD PINCHOT, Chief Forester of the State of Pennsylvania.—Mr. Chairman and gentlemen: I feel it a very rare privilege to have the opportunity for five minutes to lay certain national considerations before the Governors, because we have discovered in Pennsylvania that the greatest asset we can have in forestry next to the forest itself is a Governor who understands the importance of the forest problem and has the courage and capacity to put things through. Governor Sproul is going to have, in my judgment, as one of the greatest monuments of his administration, the restored forests of this commonwealth.

I said I wanted to put a national situation before you. In my judgment, it is an extremely serious one. We used to have some eight hundred and twenty-five million acres of virgin timber in the United States. We have only one-sixth of that area left. We have of all kinds of forests, good, bad and indifferent, only half the original area, and three-fifths of the standing timber of this country has already been exhausted, and we absolutely have to have it or our industries will die. Nothing can be produced without the forest and as the farmers use more than half of the wood consumed in the United States the result is felt in the general increase in the cost of living.

But these are not the cardinal facts. The essential facts are these: first, that we are using up our timber, what timber is left, four times faster than it is growing; in the second place, that we have already completely devastated a forest area in the United States larger than the combined forests of Germany, Denmark, Holland, France, Spain and Portugal, an area of over eighty million acres which has passed totally out of production. Now, the result is that our forest question is, to my thinking, the most serious one that confronts our industries. We can not produce anything, transport anything, or use anything without wood, and we are beginning to feel the results of this situation.

But the outlook in the future is still worse. So far the great majority of our commonwealths have already reached the condition where it is impossible for them to supply the general consumption of wood. The Pittsburg district in Pennsylvania alone uses more timber than the whole state produces, and the vast majority of our commowealths depend on other states. The south, so far as its timber-exporting power is concerned, will be exhausted in ten years. Then we shall have to go to the extreme west, and Washington, Oregon, and California will be obliged to supply the main part of our resources. Those states will then have not more than forty years' supply, and I need not tell you that you do not have to exhaust any commodity before enormously increasing its price, and we have begun to feel the results of that.

If it is asked, "Can we go elsewhere to secure our supply, to Canada, to South America, to Siberia, to Africa?" the answer is, "No." And moreover it is not only true that this is so because they have comparatively small supplies of the kinds of lumber that we need, but that any one who would propose, after our experience during the war, that the supply of the United States in this absolute essential of industry should be dependent on overseas transportation, would, I think, be a very poor American. Therefore we come straight to the proposition that we must either raise the timber that we need here in the United States or go without it.

We have one hundred and thirty-five million acres of virgin timber left. The question of first importance before the people of the United States in forestry is, Shall that area be devastated so that it ceases to produce, or shall we retain its productive power? In order to bring that about two plans have been suggested, one of which refers to what might be called that of the timber-exporting states and the other referring to the timber-importing states. The reason why this is a national question is that commonwealths like Kansas and Iowa and Oklahoma, which never were forested commonwealths like Pennsylvania, New York, Connecticut, and New Jersey, which have been forested and are no longer able to supply their needs, must depend for what they get on other states that are still able to cut more timber than they themselves need. Therefore, we have two suggested lines, and that is the main thing I wanted to lay before you, not with the advocacy of one or the other, but merely as a statement of facts. It is suggested on the one hand that the question of the timber supply of the United States shall remain in the hands of the legislatures of the states which have the timber, which ultimately means that Washington, Oregon and California must be depended on through their legislatures to safeguard the timber supply of all the other states of the Union. The other plan, and I mention it with hesitation after the discussion on state rights yesterday afternoon, the other plan, the one which I believe to be sound and inevitable would require that the United States itself, which means the great majority of the timber-importing states, should through national law take charge of the question of forest devastation, so that there would be uniformly applied to all the timber of the states restrictions which would leave the lumber industry unaffected, because it would be treated exactly the same, and under a national law the devastation of these lands would be prevented. The national law would not contemplate saying how much timber should be cut, but merely would require the application to the lands of such simple rules and regulations, where needed, as are now applied in the west, which would mean that the lands valuable for nothing but

growing timber would retain the power to keep on growing wood.

That is the precise outline, gentlemen, and my five minutes are exhausted. The situation, as I see it, and the prospects for the future, will have to be worked out, I believe, along the lines which the whole United States will pursue. In other words, in this lumber question, as in all other questions, the issue brought before you will ultimately be the welfare of all of the states taken together as compared with the welfare of the individual states, meaning only three or four from which lumber can be exported, and that does not mean that that welfare will be sacrificed. It merely means that the action of the whole United States will be exerted to save the lumber supply of the whole United States. My judgment is that there is no industrial problem of more vital importance than the supply of lumber, because the essential fact that underlies the whole situation is that we can not make progress in industry, in agriculture, or in common life, without wood, and we have to raise it ourselves in the United States or go without it.

I thank you.

GOVERNOR HENRY J. ALLEN of Kansas.—Mr. Chairman and gentlemen: May I speak for a moment about the present procedure under the act of congress which provides that the national guard department of the federal government shall be under the administration of the chief of the militia bureau who shall be appointed upon the recommendation of the Governors of the states of the Union.

It is quite apparent that the spirit of the law is not being followed. An effort is being made to secure the appointment of a man who is the pet of the war department. The facts are as follows: there happens to be out in my state a candidate for the office of chief of the militia bureau, not of his own volition, but because more than twenty-four Governors have recommended him. I found upon investigating the situation that only half of the recommendations that have been filed have been placed to his credit, and the present chief of the militia bureau is sending out a second batch of letters asking the Governors if they do not wish to file

recommendations for their second choice, with the intention of setting aside the candidacy of this man who already is the candidate of a majority of the Governors who have expressed themselves, and to secure the appointment of a chief of the militia bureau who is not the choice of the Governors of the States but the pet of the military group at Washington.

I am not asking the Conference to take any action in the matter, but you are interested in this, and the purpose of the act is that the chief of the militia bureau shall be a man chosen by the Governors of the States, because of the interest the States have in the national-guard. I am not pleading for any candidate, but merely offering a suggestion that each Governor interested might secure some valuable results by directing a letter to the President expressing his preference as to the man who shall be chief of the militia bureau.

An effort is being made to set aside the recommendations of the Governors and to select a man from the inner circle of the army crowd. The law intended that we should have in the militia bureau an expression of the wishes of the Governors of the States, that the militia bureau might retain some of the spirit of state supervision over the national guard.

GOVERNOR W. L. HARDING of Iowa.—Mr. Chairman in connection with the papers and discussion that was had yesterday in reference to the topic "Decentralization of Governmental Functions and Activities," I would like the opportunity of calling the attention of the Governors to one more encroachment upon the prerogatives of the states.

I have in my hand a telegram from one of the railroad commissioners of my state in which he says the interstate commerce commission in its recent decision in the Illinois rate case claimed that congress, in declaring there shall be no undue or unreasonable preference or discrimination as between persons and localities, covered the entire field of transportation and all instrumentalities as a means of carrying it on. This means, if sustained by the supreme court, that all state laws will be nullified as to any control

over railroads. I am satisfied in my own mind that a most serious condition will prevail throughout the United States if this thought is to be written into the federal law. I do not know whether you have had your attention called to this matter, but at least it is an added power on the side of centralization. I do not want to enter into a discussion of that subject, but I do want to place myself on record as commending the spirit of courage that was displayed by the three Governors who presented those able papers yesterday and I would like to suggest in connection therewith that if this was a body of township trustees instead of a body of Governors they no doubt would make the same complaint about the State that we are making about the federal government. The tendency is not confined to congress alone to centralize, but it is a practice in every state legislature to take away from the local communities the right to manage their own local affairs, and the Governors can well help this cause by speaking to their legislatures, cautioning them against taking away from the local community that right which is inalienable to them if the fundamentals of the constitution are to be carried out.

THE CHAIRMAN—The Secretary has a number of resolutions to present to the Conference.

The following resolutions were read by the Secretary and each was adopted by unanimous vote of the Governors:

The members of the Governors' Conference desire to convey to Governor and Mrs. Sproul expressions of highest esteem, and further, to convey their sense of deep gratitude for the extraordinary courtesies and hospitality so graciously extended to us during our most pleasant and profitable visit to their renowned state and charming capital city.

The sincere thanks of the Governors' Conference are heartily extended to Hon. Lewis S. Sadler for the exquisite reception so graciously tendered by him at "Thornwold" on the evening of Thursday, December 2, 1920.

One of the pleasantest features of the Conference has been the hospitable attention shown the ladies of the Governors' party by the people of Harrisburg through the ladies of the Civic Club, and especially by Mrs. Lyman D. Gilbert and

Mrs. William Elder Bailey, for which our appreciative thanks are hereby tendered.

The members of the Governors' Conference convey expressions of sincere thanks to the Harrisburg Chamber of Commerce for the numerous courtesies extended to us while in Harrisburg.

The following resolution was read by the Secretary:

The Governors' Conference thanks and commends the press for the thorough and effective manner in which it has reported the proceedings of the Conference about to close.

On the question,

Will the Conference adopt the resolution?

It was unanimously adopted.

GOVERNOR BAMBERGER—Mr. Chairman, I gladly say "amen" to this resolution. I feel as though the Governors ought to give an expression of their appreciation of the able services rendered by Mr. Riley. I feel that the dance could not have gone on without the musicians, and he has been the fiddler surely. I know that his treatment of the press and the boys, as we call them—they are boys, I am the only man among them—has brought about this cordial feeling, and I for one wish to express on behalf of the Governors our appreciation of the efficient and able service rendered by Mr. Riley.

GOVERNOR BEN W. OLCOTT of Oregon—Mr. Chairman, may I have just a moment? Ever since the fine banquet tendered the Governors by the Chamber of Commerce the other day, I have been wondering how I could get in on the relationship that so many members of this Conference claim in the days gone by with the grand old commonwealth of Pennsylvania. I did not know how I could accomplish this, but fate was with me, and this morning came to me in the shape of a telegram which I would like the privilege of reading. It shows that a few of the fine Pennsylvania men and women have gone to Oregon. It is an invitation extended on their behalf to the great big Governor of this great big state. It is as follows: "Portland, Oregon, December 2, 1920. Will you, on behalf of the Pennsylvania

Club of this city, invite and urge Governor Sproul to visit Portland, Oregon, next summer. The club, as host, will see that he is royally treated. Your strongest efforts in this connection will be greatly appreciated. (Signed) Edgar H. Sensenich, president Pennsylvania Club."

GOVERNOR HENRY J. ALLEN of Kansas—Mr. Chairman, I move that Governor Sproul accept the invitation.

GOVERNOR ROBERTSON—Mr. Chairman, I suggest the advisability of holding the executive session at this time.

THE CHAIRMAN—The train leaves at 11:50. If there is no objection, the Conference will now go into executive session.

EXECUTIVE SESSION

GOVERNOR THOMAS W. BICKETT, of North Carolina, in the Chair.

THE CHAIRMAN—We will now have the report of the treasurer. Will the treasurer kindly make his report?

Dover, Delaware, November, 30, 1920.

JOHN G. TOWNSEND, JR., Treasurer,

In account with the Governors' Conference.

RECEIPTS

1919

| | | | |
|-------|----|---|------------|
| Sept. | 30 | Received from Governor Fort, Ex. Treas..... | \$2,704.43 |
| | | Since received following assessments from States: | |
| Sept. | 20 | Michigan..... | 150.00 |
| " | " | Nebraska..... | 300.00 |
| " | " | Delaware..... | 150.00 |
| " | 23 | New Mexico..... | 150.00 |
| " | 30 | Vermont..... | 150.00 |
| " | " | Kansas..... | 150.00 |
| Oct. | 7 | S. Dakota..... | 150.00 |
| " | 22 | Pennsylvania..... | 150.00 |
| Nov. | 24 | Alabama..... | 150.00 |

1920

| | | | |
|-------|----|---------------|--------|
| March | 30 | Arizona..... | 150.00 |
| Apr. | 6 | Colorado..... | 150.00 |

| | | | |
|------|----|--------------------|------------|
| Apr. | 6 | Wisconsin..... | 150.00 |
| " | " | Maryland..... | 150.00 |
| " | 10 | Connecticut..... | 150.00 |
| " | " | Missouri..... | 150.00 |
| " | 15 | Massachusetts..... | 150.00 |
| " | 21 | Wyoming..... | 300.00 |
| " | " | Minnesota..... | 150.00 |
| " | " | Louisiana..... | 150.00 |
| " | " | Ohio..... | 150.00 |
| " | " | Nevada..... | 150.00 |
| " | " | Iowa..... | 150.00 |
| " | " | S. Carolina..... | 150.00 |
| " | 29 | N. Dakota..... | 150.00 |
| " | " | S. Dakota..... | 150.00 |
| " | " | Kansas..... | 150.00 |
| " | " | Montana..... | 150.00 |
| " | " | Utah..... | 150.00 |
| " | " | Oklahoma..... | 150.00 |
| May | 8 | Idaho..... | 150.00 |
| July | 9 | Vermont..... | 150.00 |
| Aug. | 25 | Delaware..... | 350.00 |
| Oct. | 14 | Pennsylvania..... | 150.00 |
| Nov. | 26 | W. Virginia..... | 150.00 |
| | | | <hr/> |
| | | | \$8,304.43 |

DISBURSEMENTS

1919

| | | | |
|------|----|--|------------|
| Oct. | 10 | Check to M. C. Riley, Sec'y., for bill approved by Executive Committee, for expenses Governors' Conference, etc. and salary—July and August..... | \$1,318.47 |
| Nov. | 8 | Check to M. C. Riley, Sec'y., for bill approved by Executive Committee, for expense and salary—September and October..... | 419.21 |
| Nov. | 22 | Check to M. C. Riley, Sec'y., for bill approved by Executive Committee, for printing proceedings, 1919..... | 249.74 |
| Dec. | 19 | Check to M. C. Riley, Sec'y., for bill approved by Executive Committee, for expense and salary—November..... | 305.83 |

1920

| | | | |
|------|----|--|--------|
| Jan. | 17 | Check to M. C. Riley, Sec'y., for bill approved by Executive Committee, for expenses, trip to Chicago, Washington and salary, December 1919..... | 424.56 |
| Feb. | 13 | Check to M. C. Riley, Sec'y., for bill approved by Executive Committee, for expense and salary, January 1920..... | 210.48 |

| | | |
|----------|--|------------------|
| Apr. 21 | Check to M. C. Riley, Sec'y., for bill approved by Executive Committee, for salary February and March..... | 416.67 |
| Apr. 30 | Check to M. C. Riley, Sec'y., for bill approved by Executive Committee, for expense and salary—April..... | 290.53 |
| June 18 | Check to M. C. Riley, Sec'y., for bill approved by Executive Committee, for printing report S. L. C., Conference and Salary—May..... | 1,005.51 |
| July 24 | Check to M. C. Riley, Sec'y., for bill approved by Executive Committee, for expense and salary—June..... | 210.34 |
| July 30 | Check to M. C. Riley, Sec'y., for bill approved by Executive Committee, for expense and salary—July..... | 223.83 |
| Aug. 25 | Check to M. C. Riley, Sec'y., for bill approved by Executive Committee, for expense and salary—August..... | 216.37 |
| Sept. 30 | Check to M. C. Riley, Sec'y., for bill approved by Executive Committee, for expense and salary—September..... | 210.90 |
| Oct. 19 | Check to M. C. Riley, Sec'y., for bill approved by Executive Committee, for expense and salary—October..... | 214.34 |
| Nov. 26 | Check to M. C. Riley, Sec'y., for bill approved by Executive Committee, for expense and salary—November..... | 227.69 |
| | | <hr/> \$5,944.47 |

SUMMARY

1920

| | | |
|---------|------------------------------------|------------------|
| Nov. 30 | Total Receipts..... | \$8,304.43 |
| | Total Disbursements..... | 5,944.47 |
| | Balance in hands of Treasurer..... | <hr/> \$2,359.96 |

Respectfully submitted,

JOHN G. TOWNSEND, JR.,
Treasurer Governors' Conference.

Audited and found correct this second day of December,
 1920.

THOMAS E. CAMPBELL, Arizona.
 BEN W. OLCOTT, Oregon.
 ALBERT C. RITCHIE, Maryland.

GOVERNOR TOWNSEND, treasurer—Mr. Chairman, about forty days ago I wrote a letter to all the Governors who had not paid up, and a few days ago the secretary received a check from the Governor of Louisiana, and the Secretary has also received in response to those letters three or four checks from other states which he will name.

THE SECRETARY—Those states are Alabama, Kentucky, New Hampshire and a form voucher from another state, so that five states are to be added to the list.

THE CHAIRMAN—The next business in order is nominations for the executive committee.

GOVERNOR ROBERTSON—Mr. Chairman, I desire to place in nomination as one of the members of the executive committee my friend and neighbor, Henry J. Allen of Kansas.

GOVERNOR BAMBERGER—Mr. Chairman, I second the nomination.

GOVERNOR TOWNSEND—Mr. Chairman, I desire to place in nomination a man who has served well for two years, and I would try him for two years more, Governor Sproul.

GOVERNOR CAMPBELL—Mr. Chairman, I second the nomination.

GOVERNOR STEWART of Montana.—Mr. Chairman, I desire to place in nomination a man who has served two years, our friend, Governor Robertson, of Oklahoma.

GOVERNOR CAMPBELL—Mr. Chairman, I second the nomination.

Governor Henry J. Allen, of Kansas, Governor William C. Sproul, of Pennsylvania, and Governor J. B. A. Robertson, of Oklahoma, were duly elected members of the executive committee.

THE CHAIRMAN—The next business is the election of a treasurer.

GOVERNOR JOHN G. TOWNSEND of Delaware, was duly elected treasurer.

THE CHAIRMAN—The next business in order is the election of a secretary.

GOVERNOR STEWART—Mr. Chairman, this is the eighth meeting of the Governors' Conference that I have attended. There is no Governor present here today who was a member of the Conference at the time that I first had the pleasure of attending. Mr. Riley, however, was at that time secretary, and he has been since the organization of the Conference. I think he knows personally every man who has occupied the executive office of every state in the Union for the last fifteen or eighteen years. He has worked industriously, he has worked intelligently and most effectively for the up-building of this organization. His heart has been in it, and I think that without his genial influence and his never-failing enthusiasm the organization might have lagged, because there have been times in the last few years when the attention of the Governors was directed so largely to the affairs of state within their own commonwealths that they had but little time to think of this or any other outside activity. But Riley never let us forget. He always urged upon us the importance of the Governors' Conference, and to him I think is due in large measure the success of the organization, and the fact that it has been a pleasurable occasion at every meeting. I want to nominate him, and I want to say in nominating him that I think he has given to the Conference more than the Conference has given to him, and I hope that in the future, in the immediate future, if you please, that the Conference see to it in some measure that an adequate compensation is extended.

At the time I came into the Conference eight years ago, automatically, because we do not join it, I believe we had only a few states contributing to the expenses of the Conference. Gradually they have come in, until today according to the report of the treasurer, most of the states have come to a realization of the importance of this Conference. In our own state the legislature includes the charge in the appropriation for maintenance without question. It is no longer necessary to ask them anything about it. The appropriation committee simply includes it as a necessary

expense, and I think that should be done in every state in the Union. Under the circumstances and with that theory advancing, I believe that Mr. Riley should be re-elected and that his compensation should be fixed at a figure that is adequate and sufficient.

GOVERNOR CAMPBELL—Mr. Chairman, In seconding the nomination of Mr. Riley, I want also, as one of the members of the auditing committee, to say that we discussed the matter of compensation yesterday. It seems that Mr. Riley has not been compensated in the past for the services he has rendered. The money that has been expended has been expended through him, but, of course, his timidity would not allow him to suggest a salary for that position. But the members of the auditing committee took it out of his hands yesterday, and it was agreed that we would report at the proper time something along this line. It was not in order and does not involve a motion. The suggestion was that we would tender Mr. Riley a salary of twenty-five hundred dollars a year and allow the office an expense account of five thousand dollars a year, which would make a total of seventy-five hundred dollars, or approximately two hundred and fifty dollars per annum for the states now contributing, it being estimated that it would cost just about that much money to carry on the work of the Conference. So, in seconding this motion to re-elect Mr. Riley, I want to bring before the Conference the thought of the auditing committee for your action.

GOVERNOR SPROUL—Mr. Chairman, I move that the suggestion of the auditing committee as expressed by the Governor of Arizona be carried into effect by proper resolution or motion or whatever proceedings is necessary, and that Mr. Riley's salary be fixed at twenty-five hundred dollars per year, and the sum of five thousand dollars per year be allowed the secretary's office for the necessary expenses of that office and of the Governors' Conference.

GOVERNOR HENRY J. ALLEN of Kansas—Mr. Chairman, I second the motion.

THE CHAIRMAN—I will put the two motions as one, that is, the nomination of Mr. Riley as secretary, and the motion for the salary and expenses.

On the question,

Will the Conference agree to the motion?

It was unanimously agreed to.

THE CHAIRMAN—The next thing to come before the Conference is the question of the assessment of the states for the ensuing year. I think the assessment has been one hundred and fifty dollars, and the auditing committee suggests that the assessment should be two hundred and fifty dollars. Is there a motion to that effect?

GOVERNOR STEWART—Mr. Chairman, I move that hereafter the assessment be two hundred and fifty dollars. I can say that our state, we are not a rich state and we are a small state, appropriated two hundred and fifty dollars right along; but, as the Conference has called for only one hundred and fifty dollars, a hundred dollars of that has reverted. I merely mention that to show that there is no disposition on the part of the legislatures to object in any sense.

GOVERNOR SPROUL—Mr. Chairman, I second the motion. The motion was agreed to.

THE CHAIRMAN—The next business in order is the selection of a place for the next meeting. I think that is generally left to the executive committee, and that will be referred to the executive committee.

GOVERNOR TOWNSEND—Mr. Chairman, if there is no other business, I move we adjourn.

GOVERNOR CAMPBELL—Mr. Chairman, I think probably we might take a recess and meet again in Philadelphia this afternoon.

GOVERNOR TOWNSEND—Mr. Chairman, I move we take a recess.

GOVERNOR SPROUL—Mr. Chairman, I second the motion. The motion was agreed to.

THE CHAIRMAN—Before taking a recess, I want as temporary presiding officer to express my very strong approval of the resolution in reference to the genial hospitality and personality of our host, Governor Sproul (applause). I had occasion to make a public confession in Salt Lake City last summer after associating with him for about two weeks, that I had come to love Governor Sproul better than my conscience permitted me to love any Republican. I am frank to say that the last two days have intensified that feeling, I am sure, on the part of all of us, and I know we all will carry from this meeting very sweet and very solemn and very fragrant recollections.

Thereupon the Executive Session was dissolved.

The Conference then took a recess until after their arrival in Philadelphia.

FRIDAY, DECEMBER 3

CONCLUDING SESSION

Following the conclusion of the business sessions of the Conference at Harrisburg, the Governors, as guests of the Commonwealth of Pennsylvania, were taken by special train from Harrisburg to Philadelphia.

Upon arrival at Philadelphia the Governors were met officially by Mayor Moore and the members of the City Council, were escorted to points of interest in the city and on a harbor trip with stops at Cramps Shipyard and Hog Island and League Island Navy Yards.

Following a dinner at the Bellevue-Stratford Hotel given by the City of Philadelphia, through the Mayor and Council to the Governors and their families, the twelfth Conference of Governors was duly adjourned *sine die*.

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